

# FINANCIAL TIMES

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World Business Newspaper

FRIDAY MARCH 8 1996

## Shrinking GDP adds to Germany's economic gloom

German gross domestic product contracted by 0.5 per cent during the fourth quarter last year, according to the Federal Statistics Office. Its data added to the current gloom about the German economy and came a day after the Federal Labour Office announced another postwar unemployment record, with 4.3m people out of work in February - 11.1 per cent of the workforce. Page 16

**Warning on Japan budget impasse:** The economy would suffer unless Japan's funding politicians quickly ended their four-day budget impasse, the Keidanren business federation warned. Keidanren chairman Shochiro Toyoda said any further delay "will shake confidence in domestic and foreign markets". Page 16

**UK rate cut expected today:** The chancellor of the exchequer and the governor of the Bank of England discussed a further cut in interest rates, as the number of retailers expecting to increase sales reached a seven-year high. Economists expect bank base rates to be cut by a quarter of a percentage point today - to 6 per cent - despite evidence of robust consumer spending. Page 7

**Austria's austerity coalition:** Austria's Social Democratic and conservative People's parties have reached a coalition agreement. They are aiming for a sharply reduced budget deficit and a leaner public sector. Page 3

**Unionists set for White House party:** US president Bill Clinton is planning to invite Ulster Unionists' leader David Trimble and other prominent Northern Ireland politicians to a White House St Patrick's Day party next week. Sinn Féin president Gerry Adams is not expected to be on the guest list. Page 7

**Murdoch apology on BSkyB:** Rupert Murdoch telephoned the chairman of German media group Bertelsmann and French pay-TV company Canal Plus to apologise for the confusion over an announcement by BSkyB, his UK satellite company, that it had clinched an agreement to invest in a German pay-TV channel. Page 17; Lex, Page 16

**Chechens on the attack:** Russian troops fought hand-to-hand with Chechen separatist guerrillas throughout the capital Grozny after army units responded to a fresh rebel offensive.

**Krupp Hoechst, world's leading producer of stainless steel, said stainless steel prices showed the "first tentative signs of an upward trend" in February.** Page 16

**Belle-Reuve announced annual pre-tax profits up 73 per cent to £175m (\$268.5m) but declared an unchanged dividend for the year of 5p, underscoring the fragile state of the aircraft industry's recovery.** Page 26

**Boost for RTZ-CRA:** Higher metal prices and increased sales volumes helped Anglo-Australian international mining group RTZ-CRA lift profits before tax and exceptional last year by 42 per cent to \$2.47bn. Page 28

**Adidas, German sports goods maker, reported annual results at the top end of expectations with net income more than double at DM245m (\$168m) in 1995.** Page 18

**Aérospatiale, French state-owned aerospace and defence group, reported improved operating profits in 1995, but said a FF1.5bn (\$268m) provision for restructuring costs pushed it FF981m into the red.** Page 17

**US dumping complaints 'misfire':** The biggest winners from US anti-dumping actions may not be industries which complain, but exporters abroad which gain orders at the expense of competitors accused of dumping, a US study suggests. Page 4

**Air crew seized:** Three helicopter crewmen - an American, a German and a Kenyan - were seized by militiamen loyal to a warlord under siege by African peacekeepers in Monrovia, Liberia.

**Pressure on Taiwan:** China has stepped up pressure on Taiwan by linking planned missile tests off the island, due to begin today, with a campaign to intimidate voters in presidential elections being held later this month. Page 6

**Sanctions threat:** The US is considering sanctions against China for the transfer of a new cruise missile to Iran, a senior US official said.

**Baghdad hosts chess:** The international world chess championship sanctioned by the Official World Chess Federation will start on June 1 in the Iraqi capital Baghdad. Anatoly Karpov of Russia will play American Gata Kamsky. Prize money is \$2m.

STOCK MARKET INDICES			
New York: Dow Jones	5925.07	(-4.70)	
NASDAQ Composite	1093.87	(+2.05)	
Europe and Far East			
FTSE 100	2698.03	(+2.14)	
DAX	2488.94	(+1.93)	
Nikkei	19857.15	(-284.03)	
US BOND YIELD RATES			
3-month Treasury	5.4%		
6-month Treasury	5.6%		
1-year Treasury	5.8%		
2-year Treasury	6.0%		
3-year Treasury	6.2%		
5-year Treasury	6.4%		
10-year Treasury	6.6%		
30-year Treasury	6.8%		
OTHER RATES			
3-month Libor	5.4%		
6-month Libor	5.6%		
1-year Libor	5.8%		
2-year Libor	6.0%		
3-year Libor	6.2%		
5-year Libor	6.4%		
10-year Libor	6.6%		
30-year Libor	6.8%		
NORTH SEA OIL (Argus)			
Spot 15-day (Apr)	\$18.20	(18.20)	
1-month	\$18.20		
3-month	\$18.20		
6-month	\$18.20		
12-month	\$18.20		

## Drugs groups' shares up sharply on Swiss merger

By Daniel Green and Nicholas Denton in London

Share prices of drugs companies around the world rose sharply yesterday after Swiss pharmaceutical companies Sandoz and Ciba confirmed they are to merge, in one of the world's biggest corporate deals.

The new company, Novartis, will be the second biggest drugs company by sales and have a market capitalisation at last night's closing prices of \$78bn, compared with \$63bn on Wednesday night, before the announcement of the deal.

About 13,000 jobs - 10 per cent of the combined workforce - are set to go as Novartis plans to cut costs by 10 per cent by 1999.

The job losses are likely to fall mainly in Switzerland, where the companies are neighbours in Basle, and New Jersey, where both have their main US operations.

The prospect of cost-savings triggered sharp rises in both companies' shares. Registered shares in Sandoz, whose shareholders will receive 55 per cent of Novartis' shares, rose 19.6 per cent to SF1.381. Ciba climbed 28.8 per cent to SF1.455.

## Sandoz and Ciba set to shed 10% of combined workforce

The possibility of further deals in the drugs industry prompted the wave of share price rises across Europe. Among those most affected were Zeneca of the UK, German companies Schering and Bayer, and Schering-Plough, Eli Lilly and Warner Lambert in the US.

These companies are seen by investors and analysts as the next likely candidates in a wave of drugs industry restructuring that started in 1993.

Although Sandoz and Ciba have previously used the investment banking subsidiaries of Swiss banks, US investment banks advised them on the merger.

Sandoz, which used SBC Warburg on last year's flotation of its chemicals arm Clariant, hired Morgan Stanley, JP Morgan worked for Ciba, a past client of CS First Boston. Union Bank of Switzerland acted as stockbroker for the merger.

The deal is expected to result in fees of \$70m to be shared between the three firms. It will

propel Morgan Stanley and JP Morgan to the top of the league tables of investment bank advisers in Europe, an important factor in winning new business.

Novartis will have combined sales of SF28bn and a global market share of 4.4 per cent. Only Glaxo Wellcome, formed from a merger of Glaxo and Wellcome of the UK a year ago, is bigger. The combined pre-merger operating profit in 1995 was SF5.8bn.

The deal, which is subject to regulatory and shareholder approval, will lead to two chemicals companies being spun off.

The merger also marks Mr Daniel Vasella as the likely long-term head of Novartis. Mr Vasella, 42, moves from chief executive of Sandoz's pharmaceuticals division to president of Novartis. Mr Alex Krauer, 64, Ciba's chairman, is to chair the merged company. The finance director is Mr Raymond Brey, the Sandoz finance director.

The new company is strongest in Europe, which accounts for 37



Daniel Vasella (left) of Sandoz is the likely long-term head of Novartis and Ciba's Alex Krauer will chair the merged company

per cent of its sales and it claims to be number two in market share. It is number six in the US, where it makes 33 per cent of its sales, and number six in Asia, Australia and Africa combined. It claims to be market leader in

drugs sales in Latin America, accounting for 9 per cent of its turnover.

Reports and analysis, Page 20; Future prescription, Page 16; Lex, Page 16

## Britain is focal point for Hamas fundraising Israel says

By Julian O'Connell in Jerusalem and Avi Machlis in Tel Aviv

Israel yesterday claimed that Britain had become a focal point in the west for fundraising by the Hamas Islamic movement as international efforts gathered pace to close down Hamas's external financial lifeline.

Israeli military intelligence officers, who have confiscated documents in raids on Hamas institutions, alleged there is an extensive network of fundraising in Britain, Germany, the US and Gulf Arab nations which directly supports Hamas's military operations.

The allegations came as the British government said it had no evidence to support accusations that Hamas supported the recent spate of suicide bombings in Israel from Britain.

Meanwhile, Israel Radio reported last night that Egypt would host an international summit next Wednesday of officials from about 20 countries on fighting terrorism. France and Germany yesterday dispatched their foreign ministers to Israel to discuss how to help the Jewish state fight terrorism.

Israeli military officials said Hamas received up to \$70m from abroad each year. The money was ostensibly targeted at Hamas's extensive network of educational, health, religious and welfare organisations in the West Bank and Gaza Strip, but that part of the money was diverted to the military wing.

Hamas activists and suicide bombers were recruited with promises of lifelong support for their families. "It will be much more difficult for the military wing to recruit members if the flow of foreign funds is cut off," an Israeli official said.

Israel said about 10-20 per cent of Hamas funds came directly from Iran and a further 40-50 per cent came from charitable organisations in Saudi Arabia and other Gulf nations.

In the west, Israeli military intelligence said Britain had become the prime source of funds following the US seizure of Hamas assets and the detention

Continued on Page 16

## Drilling tests may lead to fresh criticism of Anglo-Dutch group's role in west Africa

### Shell makes new oil find off Nigerian coast

By Robert Corzine in London and Paul Adams in Lagos

Shell, the Anglo-Dutch oil group which has come under international pressure to withdraw from Nigeria, is believed to have made a big oil discovery off the coast of the west African country.

If the find is confirmed, it could rekindle international criticism of Shell's role in Nigeria under military rule. The company is the largest foreign oil producer in the country, accounting for about half total output.

The company yesterday said it was conducting production tests at a well in the Bonga oil exploration area in deep water off Nigeria.

Shell said it was too early to assess the potential of the well. But oil industry observers in

Lagos, Nigeria's capital, say the company's operations at the site suggest that it has made a major discovery.

A Shell spokesman in Lagos said: "We are doing reservoir tests now, and it can take several months to determine the size of the discovery."

"This is a whole new drilling environment, not like the [continental] shelf where oil is being produced."

Most of the company's Nigerian fields are onshore in the Niger delta, close to poor communities where resentment at the lack of local benefit from the oil industry has led to direct confrontation with Shell and other operators.

This resulted in clashes with the Ogoni movement led by the late Ken Saro-Wiwa, who was

executed last November after being convicted of the murder of rival Ogoni chiefs. The executions brought international criticism of Shell.

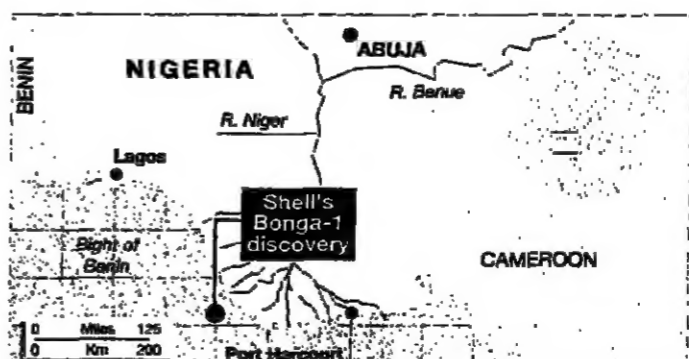
Shell has resisted demands that it withdraw from Nigeria, and it recently confirmed that it is to go ahead with a multi-billion dollar natural gas project in the country.

But the problems associated with onshore production have caused Shell and other large oil companies operating in Nigeria to look offshore for future developments.

The deep water exploration blocks are seen as vital to the future of Shell and the oil industry as a whole in Nigeria.

In recent years, Shell has failed

Continued on Page 16



## Ford to invest \$4bn in UK plants to develop 'world' cars

By John Griffiths and Andrew Bolger in London

Ford plans to spend \$2.6bn (\$4bn) on its UK manufacturing operations up to the end of the decade, signalling substantial investment in its Halewood plant on Merseyside and assembly facilities at Dagenham, east London for the "world" cars expected to replace the Escort and Fiesta.

The disclosure of what amounts to a further strong vote of confidence by Ford, the world's second-biggest vehicle maker, in its UK factories coincides with plans announced by General Motors to invest about \$1bn in its Vauxhall car operations in the UK over the next five years.

Continuing motor industry investment in the UK reflects rising productivity, the workforce's transformation from Europe's most intransigent to most flexible, and low labour costs and overheads.

The move by GM underlines the US car group's broad satisfaction with its UK cars' subsidiary - although the investment

remains modest when compared with the \$6.3bn to be invested by Opel, Vauxhall's sister company, in its German operations between now and 2000. The UK programme also compares with \$700m of planned investment by Opel Belgium over the same period and \$750m by Opel Austria.

However, the projections outlined by Mr Richard Donnelly, president of General Motors Europe, provide a clear indication that Vauxhall's operations at Ellesmere Port, Merseyside, will be upgraded for the successor to the Vauxhall/Opel Astra models built at the plant.

GM is also likely to proceed with plans, yet formally to be acknowledged, to add production of a small car - the Corsa or variants - at its main Luton plant in Bedfordshire.

While 250,000 of Ford's investment is already accounted for in its engine plant at Bridgend, South Wales, and new diesel engine production at Dagenham, about \$2m will be dedicated to plant facilities and tooling.

Ford is not expected to introduce an additional model line to

the UK. But successors to the Escort and Fiesta are likely to be produced in greater variety and numbers than current models.

Rover Group, now owned by BMW, is also investing heavily in new model programmes and Peugeot is known to be considering assembly of an extra model at its Ryton plant near Coventry. Nissan, Toyota and Honda are continuing to expand their UK "transplant" output.

Total UK car output by the end of the century is expected to reach 1.9m-2m units, compared with 1.5m last year and fewer than 1m in the early 1990s. The investment plans were welcomed as "extremely good news" by Mr Tony Woodley, national automotive officer of the TGWU. He said: "It is a vote of confidence in the UK workforce, and recognises their achievement in raising productivity in recent years."

In January, Vauxhall's 7,700 production workers unions voted narrowly to accept a 4.5 per cent pay rise, followed by an increase in line with inflation over the next two years and a one-hour cut in the 39-hour working week.

This announcement appears as a matter of record only

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## Brussels still no place for a woman

But things are slowly getting better at the European Commission, writes Caroline Southey

The European Commission is a men's club where few women make it into the top jobs, according to the institution's own findings eight months after it launched a drive to promote equal opportunities.

The Commission said yesterday it had succeeded in "improving the recruitment of women" during the final six months of last year and the number of women in senior positions had been doubled.

The number of women in top posts - directors general and deputy directors general, involved in running departments equivalent to government ministries - went up from one to three out of a total of 54 during the eight-month period. The number of women directors, one level down, rose from five to nine out of a total of 167.

The Commission has claimed success on the grounds that it has met targets set last July by Mr Erkki Liikanen, commissioner for personnel. He said yesterday the situation for women in the Commission was "still awful. We can't change overnight what has happened since 1957. It takes a terribly long time".

But, he added, there was hope in the pattern of recruitment from three new member states which joined the EU last year. The number of women recruited at middle management levels from Sweden, Finland and Austria stands at 51 per cent, compared with 28 per cent for old member states.

"In the pattern of new recruits we have shown that change is possible," Mr Liikanen said. "The situation is still unsatisfactory when it comes to promotions, mainly due to the burden of the past, which has led to a very low number of women at certain levels in the Commission."

An EU official said it was quite noticeable in the Commission that "anybody in a position of power is a man. It is particularly stark at meetings, which are normally a sea of dark suits". Another pointed out that the Commission compared badly with nearly all EU national administrations, even those with poor equal opportunity records.

The Commission's figures show that the number of women decreases as the level of responsibility increases. Out of eight levels of "A" grades, for which a higher university degree is needed, the lowest level has the largest proportion of women. Among the youngest and least experienced "A" grades, women represent 28 per cent of the workforce, which falls to 5 per cent among the highest grades.

Among recruits from the new member states, where the Commission has had a free hand to employ outsiders, women make up 51 per cent of the youngest recruits. The Commission is also pleased with the balance of female employees at middle management levels from the three new member states. Here they hold 41 per cent of the jobs, against 15 per cent for the old member states.

The figures are expected to provide fresh impetus for action from a group of commissioners, set up by Mr Jacques Santer, Commission president, charged with promoting equal opportunities in Commission policies and in the institution.

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## Social Democratic and People's parties back together in government

# Austrian coalition will seek austerity

By Ian Rodger in Zurich and Eric Frey in Vienna

Austria's Social Democratic and conservative People's parties, which were at each other's throats in a bitter election campaign three months ago, have concluded a coalition agreement to govern the country for the next four years.

The agreement, reached after all-night negotiations, maps out the way to a sharply reduced budget deficit and a much leaner public sector, so that Austria can meet the criteria for participating in European monetary union.

It signals a remarkable turnaround from last autumn, when the two parties' previous coalition appeared powerless to halt a worrying deterioration in the country's public accounts.

"We have agreed on an enormous programme. The next government should and will last its full four-year term," Mr Franz Vranitzky, Social Democrat leader and chancellor for the past 10 years, said.

"This is good news for Austria," echoed Mr Wolfgang

Schüssel, the People's party leader, whose warnings of financial danger triggered the collapse of the last coalition and December's snap election.

Although the Social Democrats were the victors in the election, the People's party austerity platform appears to underpin most of the new coalition's plans.

The two had already agreed in February on a two-year cost-cutting programme to slash the projected budget deficit by Sch100bn (\$8.7bn) by the end of 1997. A number of social benefits, including maternity allowances, early retirement privileges and student subsidies were cut, and taxes were raised.

Yesterday they agreed to abolish two ministries, for transport and the family, and transfer their responsibilities to others. Mr Schüssel, who is also the foreign minister, won another victory, preventing the establishment of a secretariat for European affairs, and maintaining responsibility for European affairs within the foreign ministry.

Mr Schüssel also seems to

have made some headway on two other touchy issues on which he campaigned last autumn.

He favoured Austria participating fully in common European security policy, while many Social Democrats want to maintain Austria's neutrality. It appears to have been agreed that the country will participate, but a final decision was postponed until after the European Union's Turin summit later this month.

He also wanted some leeway for the People's party, which is the junior partner in the coalition, to vote independently on non-essential issues. The Social Democrats appear to have agreed, although they want to minimise opportunities for the People's party to ally itself with the extreme rightwing Freedom party leader, Mr Jörg Haider.

The agreement was welcomed on the Austrian stock market, where the ATX index rose 12.91 points to 1,082. The market plunged last autumn when the government collapsed.

Investors were relieved that



Party leaders Wolfgang Schüssel (left) and Franz Vranitzky announce their agreement yesterday

the parties agreed not to eliminate tax credits on corporate losses. Some leading Austrian companies, such as VA Tech-nologie and VA Stahl, had warned of sharp cuts in their profits if these credits were removed.

## Election threat to Italian broadcasting

By Robert Graham in Rome

The management of Rai, Italy's state broadcasting organisation, risks being the first political casualty of the general election campaign getting under way.

Yesterday Iri, the state holding company that owns 99.5 per cent of Rai, announced it was taking legal action against the Rai board for its handling of management appointments. The move followed deadlock between Iri as shareholder and Rai's chairman, Ms Letizia Moratti, over the appointment of a new chief executive during the election period.

Control of Rai, and especially its three television channels, has been one of the most sensitive political issues since the rightwing government of Mr Silvio Berlusconi installed a new management team under Ms Moratti in 1994.

The centre-left alliance has fought a continuous battle to ensure fair play and avoid political bias in a medium which reaches all Italian households and where Rai accounts for more than 50 per cent of the national audience.

Ms Moratti, brought in from the private sector with no previous media experience, has proved a tough manager in seeking to impose her imprint on an unruly debt-ridden organisation.

Every move she has made has been surrounded by controversy. Her critics on the left see her as having a mission to reshape Rai's ethos to favour the right and refuse to take at face value her off-stated desire

to improve public service television.

The latest row began in January when she sacked Mr Raffaele Minicucci, the Rai chief executive, in a disagreement over the budget and programming. This led to calls in parliament from the centre-left majority for Iri to intervene as shareholder to challenge the sacking. Iri duly announced Ms Moratti could not make board appointments without consulting Rai's chief shareholder. Mr Minicucci meanwhile lodged a complaint with an administrative tribunal, claiming unjust dismissal.

With the campaign beginning for general elections on April 21, both the Dini government and the political parties have sought to patch up the squabble. But this week Ms Moratti refused to accept as a temporary solution the presence of Mr Enrico Miceli, Iri's director-general, as chief executive. She argued he was already on the Rai board of control and the roles of controller and administrator could not be mixed.

Ms Moratti's mandate can only run until Rai's annual meeting in May. But this conflict is likely to lead to even greater pressure for television to take a neutral stand during the election campaign. Since the election of Mr Miceli, Rai's director-general, as chief executive, she has been challenged until the last by two other candidates - Mr Gianmarco Moratti, head of a family oil business, and Mr Aldo Fumagalli, the former head of the young

## Confindustria shifts its focus to small businesses

By Robert Graham in Rome

The governing council of Confindustria, the Italian industrialists' confederation, yesterday chose Mr Giorgio Fossa, the head of a small family engineering business, to be chairman of the organisation for the next four years.

The choice of Mr Fossa signals Confindustria's desire to put greater emphasis on addressing the problems facing small industrial companies which provide the backbone for Italy's industrial production and strong export performance. Confindustria, which plays an important role as the voice of Italian business, has been criticised for being linked too closely to the political establishment in Rome and more keen to defend the interests of big groups.

For almost a decade Mr Fossa has been involved in championing the interests of small business and since 1993 has been chairman of the national council of small industries.

He is the third generation of a family whose business, Silvio Fossa, produces hydraulic and pneumatic cylinders for heavy industry in the northern city of Varese.

Yesterday's election followed the first serious contest for the leadership in Confindustria's 86 years. Mr Fossa was always regarded as the candidate most likely to win, and was openly favoured by Fiat, traditionally one of the most influential voices in Confindustria.

But he was challenged until the last by two other candidates - Mr Gianmarco Moratti, head of a family oil business, and Mr Aldo Fumagalli, the former head of the young



Fossa: always frontrunner

industrialists' association. Mr Moratti, who is the husband of the head of Rai, the state broadcasting organisation, lobbied hard and was overtly sponsored by Eni, the national oil company which was partly privatised last year.

## Election followed the first serious contest in 86 years

This was the first time Eni had taken part in choosing a chairman. The previous election occurred, when state-controlled industries belonged to a separate association, which has since been merged. Mr Fumagalli, though considered an outsider, argued strongly that Confindustria had become too ossified and bureaucratic, with insufficient young blood at the top steering policy. After yesterday's vote he announced he was resigning as a councillor in Confindustria.

The choice of the new chair-

man to succeed Mr Luigi Abete was made by a three-man committee on Wednesday and then put to yesterday's council to vote. Both Mr Moratti and Mr Fumagalli withdrew before the vote. Mr Fossa obtained 101 votes from the 148 persons present in the 155-strong Confindustria council. There were 30 blank votes, 13 invalid and one against.

Confindustria plays a key role in determining the position taken by management in setting national wage guidelines. Wages are currently determined by an historic framework agreement signed in July 1993 by Confindustria, the unions and the government. This agreement, which abolished the long-standing principle of indexed wages, has been central in holding down pay and controlling inflation.

However, Confindustria is seen by some industrialists as being still far too concerned with protecting the interests of individual sectors and insufficiently oriented towards adapting industry to the needs of a global economy. Questions are also raised as to whether Confindustria should continue to own a controlling stake in Sole 24 Ore, Italy's profitable leading business paper.

The new chairman, who takes over in May, will also have to decide whether economies are needed in an organisation whose Rome headquarters employs some 300 people. In 1994 staffing costs Confindustria L57bn (\$44m), according to Il Mondo magazine this week, which managed for the first time to obtain a copy of the organisation's accounts. Members' contributions in 1994 were worth L56bn against total outgoings of L52bn.

## EUROPEAN NEWS DIGEST

# Yeltsin suffers Chechen setback

The political toll on President Boris Yeltsin's re-election campaign mounted yesterday as fighting between separatist rebels in Chechnya and Russian troops grew worse in Grozny, the republic's capital.

Russia's policy-making security council yesterday endorsed a new peace plan, yet refused to give details before the month's end. The inability of Mr Yeltsin, who launched the military campaign almost 15 months ago, to implement any peace initiative to date has cut deeply into his popular support. A month ago, he vowed to end the war or face electoral defeat in June.

About 1,500 Chechen separatists are in Grozny and appear to control a third of the city. "The situation has seriously deteriorated. Clashes are going on effectively in every district of the Chechen capital," the Interfax news agency reported, quoting a security official in Moscow.

Mr Dzhokhar Dudayev, the Chechen leader, launched the assault on Wednesday, again underscoring the small nation's historic determination to resist Russian rule. What Russian officials hoped in December 1994 would be a "short, successful war" has left thousands of people dead and hundreds of thousands homeless.

Interfax news agency said armoured vehicles moved into the city centre to help beleaguered interior ministry and pro-Moscow police hold off the rebels' offensive. The agency quoted the Russian-installed military commander of Chechnya as saying 70 Russian and pro-Russian Chechen servicemen had been killed in the latest fighting.

Near Grozny, Russian troops continued an artillery and air assault on the village of Sernovodsk where Chechen fighters were holding out.

Matthew Kaminski, Moscow

## Russia backs full ban on N-tests

Russia yesterday became the fourth of the five declared nuclear powers publicly to declare its support for a "zero-yield" comprehensive test ban treaty. The US, France and Britain have already backed a complete ban on all nuclear tests.

Mr Grigori Yel'tsinov, Russia's representative to the United Nations disarmament conference in Geneva, said the treaty now under negotiation "should not contain any thresholds". Mr Yel'tsinov also made clear Moscow's opposition to India's demand for a link between the test ban treaty negotiations and talks on nuclear disarmament. "Such a linkage may only... hamper the elaboration of a treaty," he said. The disarmament conference is trying to complete the treaty by the end of June for submission to the UN general assembly in September.

The Russian statement now puts pressure on China, the remaining nuclear weapons state, to make its own position clear. China is the only one of the five still carrying out nuclear tests.

Frances Williams, Geneva

## French interest rates trimmed

The Bank of France yesterday trimmed its two key interest rates by 0.10 of a percentage point, in a further softening of monetary policy induced by the slowdown in the economy.

Yesterday's reductions, which bring the central bank's intervention base rate to 3.5 per cent and its repurchase rate to 5.5 per cent, may increase the government's impatience to see the commercial banks pass on the benefit of the Bank of France cuts in lower lending rates to their own customers. The banks have proved reluctant to do this, claiming the need for higher lending margins to improve their poor profitability. Some French MPs have criticised the government, as well as the Bank of France, for slow, piecemeal action to revive the economy. Yesterday the secretary general of the ruling Gaullist RPR party announced that he would attempt to remove Mr Philippe Auberger, secretary to the National Assembly finance committee, from the RPR national executive.

Mr Auberger has publicly accused the government of groping its way forward with "stop-gap measures" rather than taking decisive action.

David Buchan, Paris

## Hungarian deficit falls

Hungary's current account deficit fell by more than a third last year to \$2.45bn, its lowest level since 1992, mainly because of a fall in the trade deficit to \$2.44bn, according to the National Bank of Hungary. Record privatisation revenues contributed to a near doubling of international reserves to \$12.01bn, up from \$6.77bn at the end of 1994.

The figures vindicate last year's austerity package, which included an 8 per cent import surcharge and led to a 28 per cent devaluation of the forint over the year. The measures, which followed a record current account deficit of \$3.9bn in 1994, increased investor confidence in Hungary, and paved the way for privatisation of several energy utilities last autumn.

However, the country's gross foreign debt, the highest in the former eastern bloc per capita, edged up to \$31.65bn, from \$28.85 in 1994, although net debt fell to \$16.51bn, from \$18.94bn. Borrowing by companies and commercial banks now accounted for \$5.79bn of net debt.

Net direct investment in Hungary was \$4.45bn last year, bringing the total to \$11.93bn, nearly half the amount invested in the former eastern bloc.

Virginia Marsh, Budapest

## Italian telecoms row resumes

Omnitel Pronto Italia, the private operator competing for Italy's cellular phone market, yesterday filed a L366bn (\$281m) suit against state-controlled Telecom Italia Mobile (TIM) as a new row broke out over an accord giving Omnitel temporary use of TIM's network.

Earlier this week TIM said tests showed that Omnitel's network had not yet covered 40 per cent of the country, a necessary condition of the so-called "roaming" accord which had been intended to take effect last month but which was postponed to March 13 under a compromise arranged by the Telecommunications Ministry.

Late on Wednesday the ministry confirmed Omnitel had reached 40 per cent coverage and warned of sanctions should TIM not observe the agreement.

Besides claiming damages for costs so far incurred by the failure to provide "roaming", Omnitel said it was checking with Italian and European Union anti-trust bodies to see if action could be taken against TIM for abusing its dominant position.

John Simkins, Milan

## Turkey convicts leading writer

Mr Yasar Kemal, Turkey's greatest living writer, yesterday received a 20-month suspended jail sentence after an Istanbul security court convicted him of "fomenting enmity between peoples" with two articles he contributed to a book called *Freedom For Thought* criticising restrictions on freedom of expression.

Turkey has an array of 154 laws and regulations restricting freedom of expression, most of them intended to check Kurdish demands for cultural and political rights.

Mr Kemal, of Kurdish origin and author of the acclaimed novel *Mehmet my Hawk*, has become a leading critic of human rights violations in the government's military campaign against the separatist guerrillas of the Kurdistan Workers' party.

John Barham, Ankara

## Italian magistrate cleared

Italy's former senior anti-graft magistrate, Mr Antonio Di Pietro, was cleared of extortion charges when he appeared in court in Brescia for a hearing to decide whether he should stand trial, court officials said.

Mr Di Pietro, who headed Italy's "Clean Hands" investigation into institutional corruption, was cleared of putting pressure on the person in charge of computerisation of the Milan prosecution service until his resignation in December 1994. He faces another court appearance on March 18 over accusations of abuse of power relating to a \$87,000 loan.

Alex, Brescia

## Baffling case of Bosnian war crimes

As the international war crimes tribunal sifts through accounts of the atrocities committed in ex-Yugoslavia, the jury is still out on whether its activities will on balance help or hurt the prospects for peace.

There is an air of quiet moral fervour about the staff who treat the corridors of the faceless and tightly guarded building in The Hague, formerly the headquarters of an insurance company, where the tribunal is housed.

They believe they are writing history - not merely confirming but extending the precedents that were established at the Nuremberg trials, which sentenced 18 senior Nazis to death or prison.

A Dutch human rights lawyer, familiar with the Balkans trial though not directly involved, said there was a feeling in legal circles that the new tribunal was somehow superior to Nuremberg because it had been established by an outside force, not a warring party.

The lawyer, Mr Phons van den Biesen, said Nuremberg was a trial by the victors of the losers, and so it could be criticised for partiality.

"This time it will be different," he said.

Supporters of the court, which has indicted 46 Serbs and seven Croats, believe passionately that justice must be done, and seen to be done, in

respect of the worst massacres Europe has seen since the second world war.

Otherwise, they argue, the bitterness in former Yugoslavia may never subside. Ms Madeleine Albright, the US ambassador to the United Nations, was a prime mover in the court's establishment, and remains a strong advocate of its role in reconciliation.

"The wounds opened by this war will heal much faster if collective guilt for atrocities is expunged, and individual responsibility is ascribed," she has argued.

In practice, however, it remains to be seen whether the court can establish itself in the eyes of former Yugoslav citizens, and the world, as an impartial force.

While the Dayton agreement commits the governments of Serbia, Croatia and Bosnia to co-operating with the tribunal, neither Belgrade nor Zagreb have been willing to take the required step of delivering members of their own communities to The Hague.

The Croatian legislature, for example, has balked at passing legislation which would commit the republic to working with The Hague - and suggested that the UN tribunal change its own regulations. Zagreb even promoted a general who has been indicted for war crimes.

Only three people, all Serbs,

are in custody: the former prison warder Dusan Tadic, who was arrested in Germany, and two senior officers who were seized by the Bosnian army after they took a wrong turning near Sarajevo airport on January 30.

The pair were arrested without authorisation from The Hague. However, one of them, General Djordje Djukic, has since been indicted - and pleaded not guilty this week to charges that he committed war crimes by abetting the siege of Sarajevo.

The arrest of Gen Djukic and Colonel Aleksa Krsmanovic enraged the Serb community, and it has boosted the influence of Mr Radovan Karadzic and General Ratko Mladic, the headline Bosnian Serb leaders who have themselves been indicted and, in theory at least, eliminated from the political game.

In an effort to counter suggestions of anti-Serb bias, Judge Richard Goldstone, the war crimes prosecutor, said on February 14 that he expected to issue indictments "in the coming weeks" against Bosnian Muslims.

Even if this promise is kept, Balkan analysts wonder whether the US will put as much pressure over the war crimes issue on the Bosnian Muslim leadership, which it is desperately trying to wean away from the influence of



Goldstone: more indictments

Iran, as it has put on Serbia and Croatia.

The trial of Gen Djukic, meanwhile, has raised the issue of how far the tribunal should cast its net.

The indictment of a logistics officer - whose contribution to the siege was indirect, albeit very important - poses the question: if any, officers in the Serb army could not be indicted for war crimes?

More practically, the past history of Gen Djukic as a career officer with the Yugoslav army, who took his orders and pay from Belgrade, is bound to implicate senior figures in Serbia.

By making the governments of Serbia and Croatia the guarantors of peace in Bosnia, the Dayton accord appears to place their leaders above the fray of

charges and counter-charges over atrocities.

But the closer the court looks at who sponsored violence in Bosnia, the harder it will be to avoid following a trail that leads to very high places in Belgrade and Zagreb.

Yet despite promises by Nato that its forces will arrest war criminals if they "come across" them, there is little immediate prospect of Gen Mladic or Mr Karadzic being apprehended - let alone any of their sponsors in Belgrade.

Another problem for the tribunal is how to use its limited resources. A budget squeeze was narrowly avoided when the UN, itself in financial crisis, allocated it \$40.8m for 1996.

Court officials said this money should cover all requirements except one vital one: the protection of witnesses.

The tribunal's finances could be eased at a stroke if the UN members who established it had the will to give the court a permanent status, and the authority to adjudicate in future wars.

But the nations which created the tribunal seem strangely reluctant to take any steps which could guarantee it any long-term institutional independence.

Laura Silber and Bruce Clark

# Ankara sees Kurdish Turks await financial miracle peace as priority

By John Barham in Ankara

Mr Mesut Yilmaz, Turkey's new prime minister, said yesterday resolving the 11-year Kurdish uprising would be his government's main priority. Reading out the government's programme in parliament, he said "violence and terrorism are one of our most important problems".

He said he would seek to end the rebellion in the south-east of the country which has killed about 20,000 troops, guerrillas and civilians, by bringing "peace and welfare" to the region, rather than through purely military methods.

He promised gradually to lift emergency rule in 11 provinces in the south-east granting officials sweeping powers. He said he would phase out the hated Village Guards, local Kurdish militias, and would encourage refugees to return to their villages.

Mr Tansu Ciller, the outgoing premier, gave security forces a free hand against guerrillas of the Kurdistan Workers party (PKK). Troops adopted a highly controversial scorched earth strategy of evacuating and burning villages.

Such heavy-handed methods

attracted strong criticism from human rights organisations and Turkey's western European allies. Reducing violence and human rights abuses would simultaneously strengthen Turkey's political stability and improve its international standing.

However, Mr Yilmaz warned the government would not relent in its battle with the PKK: "People who are creating violence and terrorism will face the harshest reaction." And he made no mention of amending the notorious Anti-terrorism law, which is frequently used against even non-violent Kurdish nationalists.

Turning to economic policy, he said his "programme's main economic aim is to fight against inflation and stabilise growth". He promised "radical changes to decrease spending and waste" to reduce inflation to single digits. Inflation is currently at 78 per cent. Mr Yilmaz said he would pursue an aggressive privatisation programme, reform the tax system and introduce a private pension scheme. He promised a hiring freeze during the government's five-year life.

Attaining economic stability would allow the government to

begin tackling Turkey's pressing social problems. Mr Yilmaz said 2m new jobs would be created by 2000. Declining interest payment on the \$25bn domestic debt would free greater resources for public investments. The government has decided to raise the school leaving age to 15 from 12.

Mr Yilmaz and Mrs Ciller have divided responsibility for the economy and internal security evenly between both their parties. True Path will run the treasury and the planning organisation. Mr Lütfullah Kavalal, a mainstream Motherland politician, is the new finance minister, but True Path will control the treasury and the powerful State Planning Organisation.

Mrs Ciller has also appointed several hardliners to the cabinet. Mr Mehmet Agar, a tough former security chief, is the new justice minister. Other True Path cabinet members include Mr Unal Erikan, outgoing emergency governor of the south-east and Mr Ayvaz Gökdemir, an outspoken critic of human rights campaigners. Motherland has appointed middle of the road conservatives to run the defence and interior ministries.

John Barham reports on pressures facing the new PM to improve the economy

Salim Bahadır, an Istanbul worker, gained momentary fame this week when the newspaper *Miliyet* analysed his personal finances. Declaring him a "Miracle Man" for providing for his family and managing mounting debts on an income of just \$174 a month, it suggested he become Turkey's next finance minister.

However, like the government, Mr Bahadır survives only by ignoring his bills and falling into debt.

There are millions of Turkish miracle-makers who, like Mr Bahadır, are steadily sinking deeper into poverty, and the fear is that more and more of them will vote for the Islamist Refah party.

Commentators say Mr Mesut Yilmaz, the new prime minister, must quickly return Turkey to sustainable growth to keep Refah at bay. Refah took the most votes in December's general elections and promises stiff opposition to the new "government of rentiers".

But Mr Yilmaz also has to keep his minority coalition government together. Although his Motherland party and its coalition partner, the True Path party of Mrs Tansu Ciller, share the same free-market policies, they are

old rivals who differ on implementing policy. Mr Yilmaz's advisers want to force the pace of reform. They have to act quickly because under their coalition agreement with True Path, they must hand power back to Mrs Ciller at the end of the year.

Both parties agree that inflation at 78 per cent has to be reduced but True Path does

over-ambitious. Mr Yilmaz's economic team wants to balance the budget by limiting the government's ability to place new domestic debt or print money. Servicing debts takes up a third of the budget.

However, cutting spending or raising taxes to close a public sector deficit equivalent to about 7-8 per cent of GDP is unlikely to be easy or popular.

**'I don't think Turkey can adopt austerity measures such as in Argentina, Brazil or Israel. The people would not bear it'**

not want any radical measures. Mr Sedat Aloglu, a True Path MP, says: "I don't think any government in Turkey can [adopt] austerity measures such as in Argentina, Brazil or Israel. The people would not bear it."

Motherland wants to privatise all state banks by December. These big banks distort the economy with their large non-performing loans and are conduits for subsidies to farmers and businesses. But Mr Aloglu, like many business analysts, agrees the banks should be sold but thinks Motherland's timetable

Reforming the social security system, whose losses contribute over half the public sector's deficit, is another important objective. But Motherland's proposal to introduce private pension plans is controversial.

Moreover, the government is 15 seats short of a majority in the 550-member parliament, and will need support from two leftwing parties to adopt many of its reforms.

Their backing will not come cheap. Mr Hikmet Uluğbay, an MP for the centre-left Democratic Left party, says Mr Yilmaz "will have to take [us]

into consideration to carry out [his] policies". Mr Erol Sabanci, head of Akbank, Turkey's biggest private bank, fears the new government will be as weak and divided as Mrs Ciller's previous coalition. He says: "The [durability] of the government does not give business adequate confidence. The strength of the government is questionable."

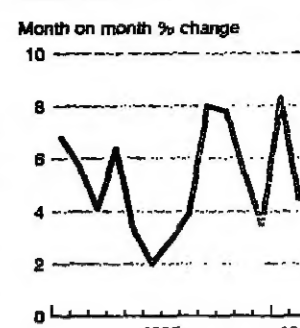
Still, not everyone is pessimistic. Some businessmen say the rivalries between the coalition partners are exaggerated and expect them to work well once they become accustomed to each other.

Positive expectations in financial markets could set off a virtuous circle of falling interest rates and inflation. This would ease the government's debt service bill, reducing the budget deficit and further cutting inflation.

International organisations are encouraging. The Organisation for Economic Co-operation and Development (OECD) says in its six-monthly report on Turkey that while tighter policies could cut growth to a more sustainable 5 per cent in 1996 and 1997, after expansion of 7 per cent last year, inflation should fall to 55 per cent in 1996.

Western governments with a

## Turkish inflation



stake in Turkey's political stability may convince the International Monetary Fund to support the government without setting too stringent conditions. Markets say an IMF stamp of approval is essential to build confidence.

Officials must also improve the lives of people like Mr Bahadır while they reform the economy. If they are to halt the advance of Refah, Mr Nedim Olcer, senior vice president at Istanbul's Interbank, says: "The government has experience, talent, support of the people. They know [they have] to be successful. Only Refah will benefit from failure."

## Eurotunnel share probe may lead to clearer rules

By Andrew Jack in Paris

The UK stock market regulator yesterday pledged co-operation with its French counterpart to clarify future rules for underwriters. The move comes in the wake of an investigation into allegations of insider trading in the shares of Eurotunnel, operator of the Channel Tunnel rail link.

Mr Andrew Winckler, chief executive of the Securities and Investments Board, said last night he supported an examination of the rules as part of a move towards greater co-operation between stock market regulators, and to provide firms with clear advice on transgressions in advance, rather than simply reprimanding them after the event.

His comments came after the Commission des Opérations de Bourse (COB), the French regulator, said on Wednesday that it had decided a case for insider trading "had not been established" against two international banks involved in the \$258m (\$1.3bn) capital increase of Eurotunnel in May 1994.

Its ruling followed a resolution in July last year to open an inquiry relating to the alleged use of privileged information by Salomon Brothers and Swiss Bank Corporation, two of the 13 banks involved in the underwriting. Both have always protested their innocence and yesterday welcomed the decision.

The two banks - which were never named by the COB - faced some implicit criticism. The regulator said it "had indicated to the firms involved they should consider strengthening their internal rules with respect to confidential information".

The case is still being examined by a French public prosecutor who could bring separate criminal actions relating to the sharp fall in the Eurotunnel share price in the months ahead of its rights issue.

More significantly, the COB announced on Wednesday the creation of a working party chaired by Mr René Barbier de La Serre, one of the members of its ruling college of regulators. Its role will be to launch a review into the different obligations imposed on multi-capacity firms which operate as advisers or underwriters in new share issues by quoted companies.

It said that "regulation and practices applying in the primary market were not interpreted in the same way by all market participants". Requirements needed to be clarified and harmonised in conjunction with other regulators, notably those in the UK, it said.

Eurotunnel itself had called for an inquiry after its share price began falling substantially between January and May 1994, ahead of the rights issue designed to help recapitalise the company.

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## NEWS: INTERNATIONAL

## UN to maintain sanctions on Iraq

By Michael Littlejohns, UN Correspondent in New York, and Reuter in Amman

The United Nations Security Council yesterday decided to continue sanctions against Iraq after the US questioned whether there was the political will in Baghdad to accept UN terms for even limited oil sales.

Accusing President Saddam Hussein of "bloody carnage" in killing members of his family who accepted pledges of safe return from Jordan after defecting, the US said the deaths were another example of his duplicity.

During the council's 60-day review of sanctions, Ms Madeleine Albright, the US delegate, said there was incontrovertible evidence that Mr Saddam lied, cheated, bullied and murdered.

Mr James Rubin, spokesman for the US mission at the UN, said the delegation had no evidence that Baghdad had decided to accept UN terms for the sale of up to \$2bn of oil mainly to buy food and medicines for civilians.

● Jordan said yesterday it had seized spare parts and equipment for fighter aircraft bound for Iraq from Poland in violation of United Nations sanctions.

The goods, concealed "agricultural equipment" in six boxes weighing a total of 20kg, were seized at Amman international airport after arriving from Warsaw via Amsterdam. Mr Mohammad Daoudieh, acting information minister, said.

This was the third interception by Jordanian authorities of contraband goods destined for Iraq in the past three months. Goods seized so far included large consignments of toxic chemicals, a machine for making missile parts and 115 Russian-made components for long-range missiles.

The shipment was seized amid worsening political ties with Iraq since Jordan used the defection of senior members of Mr Saddam's family in August to seek change in Baghdad.

The announcement coincided with the arrival of a senior UN official in Baghdad to pursue talks on dismantling Iraq's weapons of mass destruction. Mr Daoudieh said Jordan would not resort to closing its border with Iraq - Baghdad's only reliable link with the outside world and a main door for food and other authorised imports.

## Tehran accused of helping finance Palestinian terror group

## West censures Iran over Hamas

By Bruce Clark in London, Julian Ozzane in Jerusalem and David Gardner in London

West European nations yesterday censured Iran over its attitude to the bombings in Israel, but stopped short of yielding to US pressure for a suspension of the European Union's "critical dialogue" with Tehran.

Israeli officials, meanwhile, said Iran was one source of finance for the militant group Hamas - but most of its funding came from other quarters.

Diplomats said there was mounting concern in all western European capitals yesterday over the effect of the latest bombings on the peace process.

"The strain on the peace process is about as much as it can bear," said one UK official.

But the US and each of its main European allies appeared to be operating separately, giving an impression of poor co-ordination in the western camp.

Mr Hervé de Charette, the French foreign minister, and his German counterpart, Mr Klaus Kinkel, both flew to Israel to express their strong support for continuing the peace process.

France has already called off a visit by Mr Mahmoud Vaezi, deputy Iranian foreign minister, in protest over comments by Tehran's official media which defended the recent attacks on Israel.

Joint efforts to hammer out a joint European Union message of support for Israel and censure for Iran failed. Foreign minister Susanna Agnelli of Italy, current holder of the European Union presidency, deplored the fact that France was acting without consulting its partners.

Britain's Foreign Office summoned the Iranian charge d'affaires, Mr Gholamreza Ansari, to hear a protest over his country's moral support for terrorism. "Iranian actions, particularly opposition to the Middle East peace process, their support for terrorism and the highly distasteful remarks after the assassination of [Israeli] Prime Minister [Yitzhak] Rabin and the latest bombings are a cause for grave concern," a spokesman said.

British officials said the UK and its EU partners would have to consider hardening their position if evidence emerged that Iran had provided practical as well as

moral support to the bombers in Israel.

Although Israel has said Iran might have had a hand in the bombings, Israeli intelligence and military officials acknowledge that Hamas is largely an indigenous movement, with its own, well-established sources of financing.

Israeli military intelligence officials said Hamas received around \$70m (£45.4m) a year in

**'The strain on the peace process is about as much as it can bear'**

donations and charged yesterday that 10-20 per cent of the total came directly from Iran. "We know that Iran is transferring a few million dollars each year," said a senior intelligence officer.

Hamas funds raised abroad are directed to sustaining its extensive social, educational and welfare network. But money leaks from the social organisations to Hamas' mili-

tary wing, mostly in the form of financial support to the families of Hamas guerrillas and suicide bombers. The money comes primarily from the Palestinian diaspora in the US and Europe, from the Gulf states in the form of individual contributions, and from the zakat, an Islamic tithe.

Israel also says Arab citizens of Israel are responsible for channelling funds to Hamas from Islamic institutions. Israeli intelligence has developed a very precise knowledge of Iran's external activities as a result of its 14-year-old conflict with Hizbollah, the Iranian-backed Shiite fundamentalist militia, in Lebanon.

It calculates that Iran's financial penalty forced it to halve the annual subvention to Hizbollah to \$60m in 1994 and significantly less last year.

Hamas, moreover, is a Sunni Moslem organisation and an offshoot of the pan-Islamic Moslem Brotherhood, which spread to Palestine from Egypt in the 1930s.

While Hamas has maintained contacts with Tehran, Israeli officials have never before suggested the movement was Iran-directed or financed.

The main Hamas external

leaders are based in Jordan, where the Brotherhood's Islamic Action party is the main parliamentary opposition, and in Syria, where Iran's Vice-President Hassan Habib last week met Mr Imad Alami, a Hamas leader. Israeli military intelligence has also said that Jordan is being used as a main conduit for funds to Hamas coming from the Gulf.

In Washington, Jordan's King Hussein said his government would "do whatever we can" to stop terrorists from destroying Middle East peace.

Gulf Arab officials confirmed US President Bill Clinton had sent letters to several Gulf allies urging them to investigate links between Islamic charitable organisations and Hamas and curb funds being sent to the extremist Palestinian group. Earlier this week Mr Clinton sent similar letters to King Hussein and Syrian President Hafez al-Assad.

In Gaza, Palestinian security forces continued raids on Hamas institutions and made scores of arrests. Gaza police chief Ghazi al-Jabali said police had arrested more than 500 members of Hamas and Islamic Jihad. "This is only the beginning," he said.

## Bombs fail to dent economic growth hopes

## Confidence of foreign investors in stock market remains high

Israel's rapid economic growth will not be significantly affected in the short term by the recent wave of Islamist terrorism, and foreign investors remain confident about the future prospects of the economy and its stock market.

Analysts and businessmen yesterday said foreign and local investors on the Tel Aviv Stock Exchange had shown considerable resilience compared to a few years ago when terrorist attacks caused huge disruption in the market. The Mishkan index of the top 100 blue chip stocks closed yesterday at 206.11, down just 1.2 per cent from its level two weeks ago before a spate of Islamist attacks killed 87 people.

"Three years ago there would have been large sell-offs but the market is much more mature now," said Mr Shachar Gazit, a senior trader at Batscha Securities in Tel Aviv. "Investors today look much more at micro and macro economic factors rather than political events."

Investor confidence and the recent stability of the market reflect a growing realisation that terrorism has little impact on the fundamentals of economic growth, monetary and fiscal policy and corporate earnings, which are set to grow 16 per cent this year.

Israel's economy has had average annual growth of 8.5 per cent in the past three years and is expected to grow 6 per cent this year. Foreign investment more than doubled in 1995. According to central bank figures, foreign investment rose from \$1.04bn in 1994 to \$2.11bn last year. Nearly half of this - \$990m - was invested in the stock exchange and in new shares issued by Israeli companies abroad.

Investors are aware that many important benefits to Israel from the Middle East peace process have already been delivered - new trade opportunities in Asia, a trade association agreement with the European Union and the arrival of European and Japanese investors and banks after a prolonged absence.

Negative economic effects from the terrorist attacks are viewed as short-term. Israel's closure of its borders with Palestinian territories will drive up the price of fruit, vegetables, construction materials and labour, putting further pressure on the consumer price index and the government's battle to keep inflation under 10 per cent. The image of vio-

lence could also harm tourism and there have already been reports of booking cancellations.

But these negative effects are unlikely to affect investors. More important is the growing concern that terrorism will harm the electoral chances of Israel's prime minister, Shimon Peres, and the Labour-led coalition government.

Foreign and local investors want Mr Peres re-elected because they believe a right-wing Likud victory would torpedo fragile Middle East peace. Furthermore, although the economic policies of the Likud and Labour parties are broadly similar, investors believe a Labour victory would guarantee stability and coherence of economic policy and enable the government to deal swiftly with its unfinished economic agenda.

Mr Victor Halpert, Israeli analyst at Salomon Brothers,

**'Growth could slow from 6 per cent to 4.5 per cent under Likud'**

said that "foreigners believe a Likud victory would end the peace process and lead to more government force against Palestinians, which would have negative effects on tourism and economic growth. Growth could slow from 6 per cent to 4.5 per cent under Likud."

But with almost three months to go until the May 29 poll political concerns are still much less important to investors on the stock market than interest rates and the absence of domestic liquidity. "Interest rates have been, and are, the number one factor," said Mr Gazit.

Analysts said the lack of any investor withdrawal from the \$60m initial public offering of shares in government-controlled Israel Discount Bank, which closed yesterday, was proof of continuing confidence.

Mr Keith Phillips of Société Générale Strauss Turbul, which together with Lehman Brothers marketed 60 per cent of the offering in Europe, said there had been no cancellation of orders for shares.

Julian Ozzane

## Arafat urges action against terrorism

Palestinian President Yasser Arafat yesterday opened the first session of the newly elected Palestinian Legislative Council with a call for international efforts to combat terrorism. Reuter reports. The 88-member Palestinian Council met in self-rule Gaza, which has been blockaded by the Israelis since Islamic militants launched the first of four suicide bomb attacks in Israel on February 25.

"From this podium, I call on all parties in the world to hold a meeting and at the highest level to discuss... methods of confronting terrorism as a regional and international phenomenon," Mr Arafat said in an address to the council.

"We will not let violence and terrorism stop the peace process," Mr Arafat said.

US President Bill Clinton has floated the idea of a Middle East summit to co-ordinate a response to attacks aimed at derailing the peace process.

Mr Arafat, under tough Israeli and international pressure to act, has ordered security forces to crack down on institutions affiliated with the Islamic militant Hamas group, whose military wing carried out the bombings which have claimed 57 victims.

Palestinian human rights monitors said more than 400



Yasser Arafat (left) and Saleem al-Zannoun, Palestinian Legislative Council chairman, at prayer before the start of yesterday's opening session of the legislature in Gaza City

Gazans had been arrested in the crackdown. This has included raids on mosques, homes and the Islamic University of Gaza. Israel has sealed off the Gaza Strip and West

Bank, preventing Palestinians from going to work in Israel and blocking delivery of food, which is running short. West Bank council delegates had to get special permits to travel

across Israeli territory to Gaza.

Mr Amr Moussa, Egyptian foreign minister and one of several guests from Arab countries at the meeting, told

the council that Egypt stood by the Palestinians in these difficult times.

"It is an honour to represent Egypt in this historic meeting," he said.

## NEWS: WORLD TRADE

## US dumping complaints 'misfire'

By Guy de Jonquieres

The effectiveness of anti-dumping policy in reducing import competition is called into question by a study by the National Bureau of Economic Research, an independent US research organisation.

It suggests the biggest winners from US anti-dumping actions may not be industries which nurture complaints, but exporters abroad who gain orders at the expense of competitors accused of dumping.

The study also finds that anti-dumping duties have cut the value of imports affected only in the year after they were imposed. By the third year, imports had recovered to levels higher than before anti-dumping action was taken.

Dumping is defined as the pricing of exports below cost,

which injures producers in the importing country. Unlike most trade restrictions, anti-dumping measures are applied to named producers in selected countries, not to all exporters of a product.

The study, by Mr Thomas Prusa, an economist at Rutgers University, is based on analysis of the impact of more than 200 anti-dumping cases launched in the US in the 1980s.

It finds that the opening of anti-dumping investigations, even when they did not lead to imposition of duties, reduced by as much as 20 per cent the value of the imports concerned.

The fall in the first year after duties were applied was as much as 36 per cent.

However, the study says anti-dumping actions have not

normally reduced the value of total imports of a product, but have diverted orders to other foreign producers. Their US sales have risen on average by more than 20 per cent in the first year after duties were imposed.

"Paradoxically, the main [beneficiaries] of anti-dumping duties may not be the US complainants, but rather the other countries competing in the US market," it says. It suggests the gains to US producers may be negligible after the costs of bringing a complaint are taken into account. The study estimates that US anti-dumping measures cost Japan, the main target of complaints, \$7.6bn in annual exports between 1980 and 1989. However, these losses were partially offset by \$5.4bn of gains by Japanese companies which increased exports

## Dumping: the accusers

Dumping investigations launched between 1980-94 by:



Source: Gatt, Geneva

to the US, after competitors were subjected to anti-dumping actions.

Other countries whose US exports were hard-hit by anti-dumping measures included Brazil, Italy, South Korea, France and Britain. However, the study estimates that their losses were exceeded by

increased exports of other products, as US customers switched orders away from rivals accused of dumping.

The trade effects of US anti-dumping actions. Working paper 5,440, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. Tel: 617-868 3900.

## Unisys threat in Czech dispute

By Vincent Boland in Prague

The Czech subsidiary of Unisys of the US is threatening to seek a judicial review of Czech defence procurement procedures, in a growing row over cancellation of a defence contract won by the company.

In its first detailed response to rulings upholding cancellation, Unisys said yesterday it might "seek a judicial review of the entire procurement process" to reverse the move.

Unisys won the contract in a tender last year to supply the Czech army with a Staff Information System as part of Czech efforts to join Nato. It beat competition from local subsidiaries of IBM, EDS and Digital Equipment. The defence minister, Mr Vilem Holan, later cancelled the contract and said the ministry would arrange a new tender.

A political row developed when the competition ministry said Mr Holan did not have the right to cancel the contract. That ministry ruled that the defence minister exceeded his powers, but confirmed the cancellation. Unisys claimed the competition ministry's rulings were "contradictory" and would delay modernisation of army information systems.

The row has highlighted what some observers claim is widespread corruption in the awarding of army contracts.

Last month two army officers were accused of misusing their authority in selecting the winner of a military tender for the supply of heating equipment.

Editorial Comment, Page 15

## WORLD TRADE NEWS DIGEST

## US satellite plan on course

Mr Rupert Murdoch's News Corporation and MCI, the US telecommunications group, are on schedule with plans to offer digital satellite services to US customers by the end of next year. The companies said the services would be delivered from two satellites to be built at a total cost of about \$400m by the space systems division of Loral. The first will be launched on a Russian Proton rocket in late 1997 and the second on a US Atlas in early 1998.

The satellites will have the capacity to carry hundreds of television channels using digital broadcasting techniques; their footprint will cover the continental US, Hawaii, Alaska and Puerto Rico. Loral said the satellites would deliver direct-to-home television services from a slot awarded to MCI in government spectrum auctions.

Alan Core, London

## Indian mobile phone deal signed

Alcatel, the French telecoms group, yesterday signed a \$100m contract with Koshika Telecom, part of India's Usha group, to supply and install GSM mobile communication networks in three Indian states. The contract is the first big equipment and installation deal to arise from the award last year of licences to provide private cellular telephone networks in 30 Indian "circles", or zones. Alcatel will supply four high-capacity switching systems and several hundred GSM base stations. The network will cover 42 urban areas and their connecting roads in the central and eastern Indian states of Uttar Pradesh, Bihar and Orissa. The company said microwave links would cover a total interconnection distance of 2,500km.

The system will use switches based on the Alcatel 1000 switch which the group already manufactures at factories at Gurgaon, outside New Delhi, as part of an earlier switch supply contract to the department of telecommunications.

Mark Nicholson, New Delhi

## Czechs benefit from free trade

A liberal trade regime has been an important factor in the relatively successful transition of the Czech Republic to a market economy, according to the World Trade Organisation.

In a report on Czech trade policies and practices, the WTO secretariat said total trade added up to more than Czech gross domestic product, making it one of the world's most open economies. Modest tariffs and few other trade barriers have enabled Czech exporters to import raw materials and other inputs at reasonable cost and to maintain overseas deliveries despite the appreciating koruna.

Discussing the report this week, trading partners expressed concern at a possibly destabilising influx of foreign funds and the widening trade deficit.

Frances Williams, Geneva

## Unions take up cause of women 'slaves'

Trade accords 'should include measures to protect exploited workers worldwide'

By Andrew Bolger, Employment Correspondent

Employers' worldwide push for flexibility is driving working women into "near slave-like conditions", according to a report by the International Confederation of Free Trade Unions published today - International Women's Day.

Its conclusions will be cited by trade unions in their campaign to have social clauses, guaranteeing workers' rights and conditions, written into future international trade agreements.

Although an increasing number of women are joining the labour market, ICFTU says they are also the first to suffer from the negative effects of

globalisation of the economy. The report, *Worlds Apart*, says women have become "the principal victims of unemployment, are confined to the least skilled jobs and do not receive equal pay with men for equal work."

"They also represent the great majority of the workforce in the new bastions of globalisation in the developing countries - the informal sector, the export processing zones and home working, exposed to deplorable working conditions, exploitation and fierce anti-union repression."

Some of the worst abuses are identified in the export processing zones, which are now present in more than 50 countries, concentrated in south

and south-east Asia and Central America.

On average, the report says, 80 per cent of the workforce in the export processing zones are women, working mainly in the textile, clothing, toy and electronics sectors. In Panama 90-95 per cent of assembly plant employees are women.

"To attract western investors, some Asian countries, such as Thailand or Malaysia, do not hesitate to boast in their publicity brochures of the 'dexterity of the small hands of the oriental women and traditional attitude of submission', a mixture that is supposed to work wonders on the assembly lines of potential multinational investors."

In the export processing

zones, the report identifies a marked preference for young, unmarried women and says it is made very clear that marriage - or worse still, childbirth - is incompatible with their job. "In some cases, women have to undergo a compulsory pregnancy test before being hired and, from Honduras to China to Costa Rica, pregnancy means dismissal."

"To prevent the problem of pregnancy from the outset, some Guatemalan and Honduran assembly plants distribute contraceptive pills to their women employees. In the Dominican Republic, some factories have distributed pills that have resulted in sterility."

ICFTU says anti-union repression is an integral part

of the export processing zone concept. Potential investors see the absence of unions as an advantage, and their preference for women workers is a deliberate part of their anti-union policy. The cultural conditioning of these young women makes them less likely to rebel.

The report says: "Trade unions must press governments to change legislation and guarantee union rights in the export processing zones. They must inform members of the public of working conditions in the zones, and publicise 'blacklists' of multinational enterprises which violate international standards, organising boycotts of their products."

## NEWS: THE AMERICAS

## Mexico attacks new US Cuba act

By Stephen Fidler, Latin America Editor

The Mexican government said yesterday it would invoke legal remedies provided by the North American Free Trade Agreement to counteract new legislation tightening the US embargo of Cuba.

It said it would co-ordinate with its other NAFTA partners, Canada, a response to the legislation, which passed the US House of Representatives on Wednesday night and awaits signature by President Bill Clinton. Among other things, it would allow Cuban-Americans to sue foreign companies using expropriated properties in Cuba and exclude their executives from the US.

Mexican officials said the law appeared to flout the Most Favoured-Nation clauses of NAFTA and the WTO.

Mr Art Eggleton, Canada's trade minister, said yesterday in London that his government was still discussing precisely how to respond, though invoking the NAFTA dispute procedure and a protest through the World Trade Organisation were both strong possibilities.

He said Canada would press Mr Clinton to use his powers to waive the application of some parts of the legislation.

"It's a dangerous precedent. They're in effect saying that if you trade with Cuba, you can't trade with us. That's not acceptable," he said. He said 20 to 30 Canadian companies had investments in Cuba totalling more than C\$300m (\$36.6m).

Bernard Simon in Ottawa reports on vigorous efforts by a onetime spendthrift to balance its books

## Born-again Canada opts for fiscal rectitude

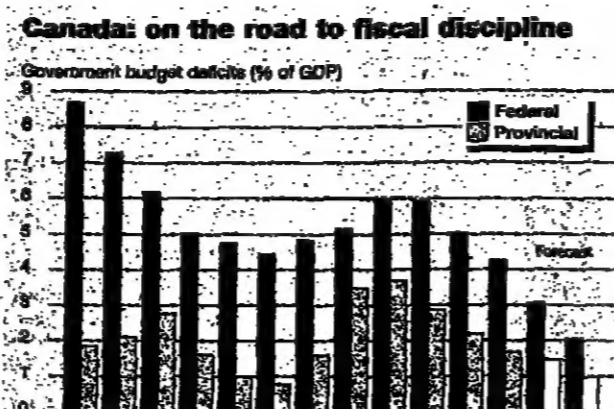
Taxpayers in the Canadian provinces of Alberta have received an unusual communication from Mr Ralph Klein, the state premier. In spite of living in a country where chronic public-sector deficits have created one of the industrial world's heaviest debt burdens, the letter seeks advice on how to spend the province's growing surplus.

Albertans may soon have company. Seven of Canada's other nine provinces have either balanced their books in the current fiscal year ending on March 31, or are likely to do so in 1996-97.

The federal government, as well as Ontario and Quebec (which make up almost two-thirds of Canada's population), are still struggling with sizeable deficits and a growing debt load. But they, too, are on the road to fiscal discipline, judging by this week's federal budget and recent developments in the two provinces.

"Canada has moved quite a distance," said Mr Joshua Mendelsohn, chief economist at Canadian Imperial Bank of Commerce.

The federal budget forecasts a deficit of C\$34.3bn (\$11.5bn).



or 3 per cent of GDP, in the coming fiscal year, down from a peak of C\$42bn in 1993-94. The shortfall is expected to shrink still further to C\$17bn, or 2 per cent of GDP, in 1997-98.

"We will balance the books," Mr Paul Martin, finance minister, promised in his budget speech. "But we will do so in a way that is measured, deliberate and responsible."

If all goes to plan, Ottawa's borrowing requirement (after non-budgetary transactions, mainly the use of pension fund surpluses) will be down to 0.7



Quitting the road to ruin: finance minister Paul Martin (left) and Quebec premier Lucien Bouchard

commission is expected to call within the next few months for at least the partial privatisation of Ontario Hydro, North America's biggest power utility.

Mr Lucien Bouchard, Quebec's new premier, is also expected to unveil a tough austerity package soon. Mr Bouchard has said the French-speaking province's economic problems are a higher priority for the time being than a renewed drive to secede from Canada.

Mr Peter Plaut, vice-presi-

dent for sovereign risk at Salomon Brothers in New York, estimates that Canada's total public sector deficit will shrink to about C\$35bn, or 4.4 per cent of GDP, in the year to March 1997, from 5.5 per cent in the current fiscal year and a peak of 9.5 per cent in 1992-93.

Despite progress so far, some questions remain. As Mr Michael Manford, chief economist at ScotiaMcLeod in Toronto, puts it: "Canada is well down the road from ruin. I'm not sure we're quite on the road to prosperity yet."

The risks are reflected in a continuing wide gap between US and Canadian long-term bond yields, currently about 1.57 percentage points.

CIBC's Mr Mendelsohn raises the question whether Mr Martin will stick to his guns as the next federal election - expected to be called next year - draws closer. The popularity of Ontario's new government has plummeted since it unveiled its deficit-cutting strategy.

Mr Mendelsohn also points to the risk that renewed turmoil over Quebec secession

could push up interest rates sharply.

With debt-service charges eating up more than a third of budget revenues, a one percentage point rise in interest rates would push up the deficit by about C\$1.5bn in the first year, compounding to C\$3bn in the fourth.

For the moment, however, Mr Martin seems more likely to overshoot than fall short of his targets. This week's budget was based on growth and interest-rate assumptions that are more conservative than private-sector forecasts.

Mr Martin estimates GDP growth in 1996 and 1997 at 1.8 and 2.6 per cent respectively, compared to average private-sector forecasts of 1.9 and 2.8 per cent. There is an even wider gap in their interest-rate forecasts.

The budget's deficit forecasts also include "contingency reserves" of C\$2.5bn in the coming year and C\$3bn in 1997-98. Thanks to these reserves, the finance department estimates that next year's deficit target will be met even if interest rates are a full percentage point higher and growth half a point lower than the budget assumptions.

## California's recovery masks stagnation in Los Angeles

By Nancy Durwin in Washington

California's heralded recovery from its worst economic slump in six decades obscures continued stagnation in the Los Angeles region's economy.

According to a report released by the Los Angeles Economic Roundtable, a local think-tank, the county

has lost 125,000 of its defence-related jobs, nearly half the total, since 1988. High-technology companies related to defence have incurred "wrenching" job losses: 45 per cent in aircraft, 55 per cent in instruments, and 37 per cent in electronics.

The report, "Post cold war frontier: defense downsizing and conversion in Los Angeles," concludes

that the new growth sectors - entertainment, apparel and services - seen as vital to future prosperity, will not be able to replace fully the well paid jobs lost in defence. The "continuing collapse of middle-wage occupations" threatens social stability, the report says.

The Clinton administration sees California as vital to the president's

re-election. Numerous initiatives and much defence conversion money have been targeted at the region but these schemes have been cut or drastically curtailed by the Republican-controlled Congress.

The report says long-term strategies will be required if the region is to bounce back. Free market prescriptions - cutting wages and

reducing regulation - will not be enough to create a growing diversified economy specialising in the technologies of the future.

Los Angeles' troubles began amid the defence build-up of the 1980s, with the shrinking of non-defence manufacturing.

Not even a country as rich as the US could long sustain deficit-fi-

nanced growth in military spending. By 1994, total contracts had fallen nearly 40 per cent from \$18.8bn in 1988.

But the area retains "formidable assets" as the film capital of the world and a fashion centre as well as host to such ambitious schemes as Calstar, aimed at building an alternative vehicle industry.

## Bank probe may hold up Brazilian reforms

Angus Foster reports on how congressmen have unsettled the government of President Cardoso

On Tuesday Brazil's President, Fernando Henrique Cardoso said he was "tranquil" about a mounting crisis surrounding the central bank. Just 28 hours and two serious congressional defeats later, he probably wished he had chosen a different adjective.

A Senate decision to investigate Brazil's financial system may be the worst news for Mr Cardoso since he took office 14 months ago.

If the investigation gets under way, it could snarl up the progress of important reforms Mr Cardoso wants approved before municipal elections in October. In the lower house of deputies, meanwhile, the government's already watered-down social security reform failed to win enough votes and is now in serious doubt. "It wasn't our best day," one government adviser said tersely.

The Senate decision was prompted by concern about the central bank's handling of last year's collapse of Banco Nacional, which ran into liquidity problems and was sold to a rival bank. Amid allegations of regulatory incompetence and fraud at Banco Nacional, the government failed to stop opponents collecting the 27 senators' signatures needed to open a probe.

Mr José Sarney, Senate president and potential rival for Mr Cardoso in 1998's presidential elections, backed the immediate launch of the inquiry. Mr Sarney and party leaders will now choose the president and members of the investigating commission, which has no time limit and can call any witnesses.

Mr Sérgio Amoral, the president's spokesman, said the government saw the investigation as politically inspired: "The president thinks [the investigation] is inconvenient

and there are no justifications for its installation," he said.

Behind the scenes, the government was yesterday still trying to delay or derail the probe. Mr Cardoso is a consummate negotiator and government concessions may yet stall the process. But Brazil's banks, popularly denounced as too profitable, are such an easy target for both houses of Congress that holding off an

Congressmen are uneasy at voting for unpopular measures so close to elections

inquiry for long will be difficult. São Paulo's stock market, taking a dim view of Mr Cardoso's chances, fell more than 4 per cent on Wednesday with the news of the investigation.

The government's main concern is that an investigation into the banking system would absorb so much of Congress's time that pending constitutional reforms to modernise government and tax systems would be further delayed.

Mr Cardoso, who likes to count off the various reforms on his fingers, has a less than four month "window" to secure approval of these complex changes before Congress goes into recess and becomes preoccupied with the October elections, when about one in five congressmen is expected to run for municipal office.

The last, high-profile congressional inquiry, a 1993 investigation into politicians' corrupt meddling in the government's budget, brought all other congressional business to a standstill for three months. A new investigation might not be as damaging, partly because bankers rather than congress-

men would be in the dock. Mr Cardoso is also far better at keeping Congress working than his mercurial predecessor, Mr Itamar Franco.

But Brazil's banking system is so intertwined with complicated political relationships that an investigation could seriously stall wider government policy.

Bankers are concerned the investigation could undermine the credibility of the country's banking system, especially if politicians demand publication of sensitive information and continue attacks on the central bank's performance.

More than 10 banks and financial institutions were shut during last year's liquidity crisis, and others were rumoured to be in trouble. Most analysts think the crisis has passed. But allegations at Banco Nacional, and the central bank's inability to spot the fraud apparently for many years, have prompted worry over whether other institutions have hidden problems.

Mr Cardoso's second defeat, on the social security reforms, came as a surprise to the government. The proposals are intended to end special pensions for privileged groups and raise contributions to finance the government's ever-higher pension bill.

The proposals were opposed by some unions and congressmen themselves who stood to lose privileged pension arrangements.

But after a year of negotiation, the government thought it had enough support to pass its ideas.

That it did not, and was opposed by members of its own ruling coalition, reflects congressmen's unease in voting for unpopular measures so close to elections. Mr Cardoso insisted, following the defeat, that the government would try again to negotiate a new package of reforms.

## Blizzards push US index to lowest level for 2 years

By Michael Prowse in Washington

Severe winter weather contributed to a 0.5 per cent fall in the US index of leading indicators in January to its lowest level in more than two years.

The Conference Board, the New York business analysis group that compiles the figures, said the decline largely reflected a sharp fall in the average factory working week, owing to

blizzards on the east coast. Other sources of weakness included declining building permits, a fall in consumer confidence and higher claims for state unemployment insurance.

The January drop followed a gain of 0.2 per cent in December and a decline of 0.2 per cent in November. Since other economic data was affected by the weather, most economists predicted a fall of about 0.5 per cent in January.

The index is meant to predict

economic trends six to nine months in advance, but many analysts regard it as an indicator of current conditions.

The index has fallen in four of the past six months, mirroring the sharp slowdown in economic growth evident since last summer.

Economists yesterday were awaiting the release today of employment data for February to judge the likelihood of an economic rebound this spring following weakness during the winter.

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# Retail optimism fuels rate cut expectations

By Robert Chote,  
Economics Editor

The chancellor and governor of the Bank of England met yesterday to discuss a further cut in interest rates, as the number of retailers expecting to increase sales reached a seven-year high.

Economists expect bank base rates to be cut by a quarter of a percentage point today - to 6 per cent - notwithstanding evidence of robust consumer spending. This would be the third reduction in four months and probably trigger cuts in mortgage and savings rates.

The Confederation of British Industry said it would welcome a rate cut, but it was not calling for one as a matter of urgency. Ms Kate Barker, the CBI's chief economist, said a quarter-point cut would pose no inflationary danger.

The CBI's latest distributive trades survey, meanwhile, painted an upbeat picture of activity in Britain's shops. For the fifth month running more retailers reported rises in sales over the preceding year than reported sales falling.

Some 52 per cent of retailers expect sales this month to be up on a year ago, compared to 7 per cent predicting

that they will be lower. This 45 point balance expecting an improvement is the biggest in any survey since the end of 1988.

Sectors linked to the housing market did particularly well, perhaps reflecting a pick-up in the number of people moving house in January.

Retailers still report that stocks of unsold goods are excessive relative to expected demand. They expect to reduce their stock overhang this month, but the proportion of retailers planning to order more from their suppliers rose nonetheless to its highest level since the 1980s. Retailers have been finding it easier

to raise prices. The net proportion reporting they had raised prices in the past year reached its highest level in nearly two years. But the CBI said this increase was below average and was from a low base.

Mr Alastair Eperon, chairman of the CBI distributive trades panel, said price increases were unevenly distributed between sectors of retailing and conditions in most parts of the market remained competitive.

Mr Richard Jeffrey, of Charterhouse Bank, said the survey pointed to sharp consumer spending growth this year, perhaps even exceeding the Treasury's 3.5 per cent forecast.

"Further rate cuts would be entirely inappropriate at the moment," Mr Jeffrey said. He added that if rates were cut today, it would be almost inevitable that they would have to rise again later this year.

Mr Clarke is expected to justify any rate cut by arguing that inflationary pressure remains subdued. The Bank said last month that inflation was back on course to hit the chancellor's target. The Central Statistical Office said the so-called "longer leading indicator" - supposed to predict economic turning points a year in advance - was flat last month. The first time since June 1994 it has not fallen.

# Clinton snubs Adams over IRA ceasefire

By John Kampfer,  
Chief Political Correspondent

Mr Bill Clinton, the US president, is planning to invite Mr David Trimble, leader of the Ulster Unionists, and other prominent Northern Ireland politicians to a White House St Patrick's Day party next week - but not last year's star of the show, Mr Gerry Adams, Sinn Féin president.

Mr Trimble is understood to be ready to accept the offer and is preparing to take with him a typical Ulster present of damask linen from a factory in his constituency. The Rev Ian Paisley, leader of the Democratic Unionists, is also being urged to attend.

The attendance list for the March 15 party reflects a new mood in the US administration following the IRA's Docklands bombing which ended its ceasefire.

Mr Clinton's advisers have stepped up their already close monitoring of Northern Ireland affairs with a series of meetings with the province's leaders in recent weeks.

Although Mr Adams' US visa has been renewed, the administration has made clear he is not welcome at the White House until the IRA re-establishes its ceasefire. Fundraising has also been banned.

Mr Trimble may leave for Washington on the day the British government announces its choice for an electoral mechanism for Northern Ireland.

The UUP leader received no assurances from Sir Patrick Mayhew, Northern Ireland sec-

retary, on Wednesday, that his proposal for Westminster-style constituencies may win government support. Conservative backbenchers have warned Mr John Major, the prime minister, that a perceived snub to Mr Trimble might jeopardise his support for the government, whose majority has shrunk to only two.

Mr Major has made clear, however, he will not take party in "grubby deals" over Ulster to preserve his majority, especially at a time of renewed IRA violence.

In what was seen as its response to last week's Anglo-Irish announcement of all-party negotiations on June 10, the IRA made clear last night that the need for armed struggle remained "given the current political conditions".

A year ago, Mr Adams was feted at the White House in the event that is top of the calendar for all Irish-Americans. He was even called upon to sing a duet with Mr John Hume, leader of the moderate nationalist Social Democratic and Labour party, for the guests. Unionist leaders refused to attend.

Last November, Mr Clinton made a point of stopping his cavalcade through west Belfast, during his ground-breaking visit to the province, to drop into a cafe with Mr Adams.

However, Mr Adams has refused to condemn the bombings and to deliver what many Irish-Americans hope will be a second ceasefire.

## UK NEWS DIGEST

### Stricken tanker 'had no plan'

The master of the Sea Empress - the tanker which ran aground in the entrance to Milford Haven harbour in south Wales last month - had not agreed a plan of approach with the port's pilot, a marine accident investigation branch made no comment on the reasons for the grounding, which led to the loss of 60,000 tonnes of oil in its interim report. But the absence of a plan appears to be the only area where all was not well.

A plan of approach would not necessarily be drawn up every time an experienced master made an approach to a port but it would be sound practice, marine industry experts said. The Department of Transport's marine accident investigation branch made no comment on the reasons for the grounding, which led to the loss of 60,000 tonnes of oil in its interim report. But the absence of a plan appears to be the only area where all was not well.

The investigators' report described "a shuddering vibration" as the Liberian-registered tanker came alongside of the mid-Channel rock lighthouse. This was followed by "a sound from the deck below of liquid being forced under pressure and a strong smell of oil. The Sea Empress had no known deficiencies when the pilot went on board and all certificates relating to the vessel and its crew were valid, the report said.

Charles Batchelor, Transport Correspondent

### Scots property on market

A £100m price-tag has been pinned on Scotland's largest portfolio of industrial property, ranging from small workshops in Aberdeen to large headquarters outside Glasgow. SPP, the Swedish life insurer, has decided to sell the portfolio, which covers 4.5m sq ft of industrial buildings and 110 acres of land centred on Glasgow's Hillington industrial estate. The buyer will receive rent of about £10m a year from tenants ranging from multinational companies such as Rank Xerox to dozens of small companies.

The portfolio last changed hands in 1980 when the government instructed the Scottish Development Agency to sell its property holdings. The buyer was London & Edinburgh Trust, then one of the brightest stars of the 1980s property bull market. SPP took control later the same year following its £40m takeover of L&E, just as the UK property market started to slide into recession.

Simon London

### Arizona firm boosts pit town

A Northumberland town once reputed to be the world's biggest pit village was yesterday celebrating the announcement of its first big inward investment project for 20 years. Wansbeck district council said the choice of Ashington by Simula Inc of Arizona for the company's first manufacturing operation outside the US was a "breakthrough" for the area, which has lost 5,000 manual jobs, mostly in coal mining, since the mid 1970s.

Simula Automotive Safety Devices, a subsidiary of Simula, will make side impact head protection air bags in a 30,000 sq ft factory on the Wansbeck Business Park. The \$4m investment is expected to create 180 jobs.

Chris Tighe

### Work permit rules relaxed

The government has relaxed its rules for the granting of work permits for foreign footballers. The change will allow the Dumitrescu, the Romanian international, to move from Tottenham Hotspur to West Ham for £1.5m and Swiss star Marc Hottiger to join Everton from Newcastle United for £750,000. They had been unable to play for their new clubs for more than a month after their transfers had been blocked under the old rule that foreign international players would be refused new work permits if they had not played in at least 75 per cent of their previous club's games.

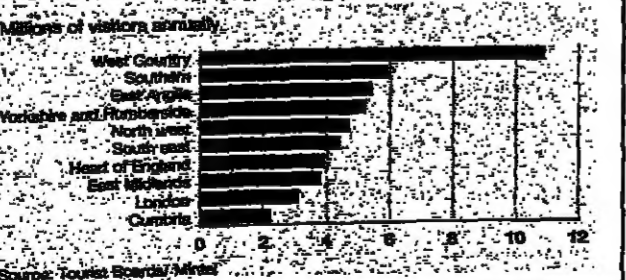
Patrick Harverson

### Britons take more holidays

The British took more than 86m holidays last year - more than three holidays per household - compared with 74m in 1990, according to Mintel, the market analysts. Holiday expenditure totalled more than £25bn (excluding fares to foreign destinations), but only 40 per cent of this was spent in the UK. The West Country was the most popular region in England for holidays, followed by the southern region and East Anglia. London appealed for short breaks only. The main reasons for choosing a British holiday were convenience, visiting "my own country", and cost.

Diane Summers

### Top 10 English destinations



Source: Tourism Research International

# Workers 'will remain full-time'

By Robert Taylor,  
Employment Editor

The vast majority of British workers will still be in permanent full-time jobs 10 years from now, with less than 6 per cent employed on temporary contracts, according to a government-sponsored study of the future of work.

Its findings - based on the data from official government Labour Force survey statistics - question the widely held assumption that a highly flexible labour market is rapidly being created in the UK.

The survey is published today by Business Strategies, the independent private consultancy company. It forecasts that as many as 79.2 per cent of all employees will still be in full-time, permanent jobs in 2005 compared with 82.1 per cent today and 83.9 per cent 10 years ago.

"Our forecast certainly does not indicate an end to permanent employment," the report says.

It also says that the expansion rate in part-time jobs,

deep divisions in the cabinet emerged last night over proposals by Mr Michael Heseltine, the deputy prime minister, to strip workers in small businesses of their employment rights.

The plans to exclude over 7m workers in small firms from the protection of UK employment law have prompted fierce opposition from both cabinet colleagues and trade unions.

Under the plan, staff would no longer be able to seek damages for unfair dismissal or contest non-payment of wages and cases of racial discrimination before an industrial tribunal.

short-term contracts and self-employment was faster during the past 10 years than it will be between now and 2005.

It predicts that the number of temporary employees with contracts will increase from 1.5m at present to just more than 2.5m by 2005, a growth from 6.9 per cent to 8.3 per cent of the total labour force. "Whilst the number of temporary workers has undoubtedly risen, there is no clear evidence that this has been at the expense of permanent employment," says the survey.

The growth rate of self-employment is also expected to slow from 38 per cent during the past decade to 9.6 per cent between now and 2005. Some 3.6m people, or 13.5 per cent of

the workforce, will be self-employed 10 years from now compared with 3.3m, or 13.1 per cent of the workforce today.

The survey also forecasts a slowdown in the growth rate of part-time permanent employees from more than 20 per cent over the past 10 years to 10.7 per cent during the next 10 years.

This means the proportion of part-time employees in the workforce will increase by only 1 percentage point to 24.8 per cent in 2005 from 23.8 per cent today, a rise from 8m to 8.7m.

The survey says that the number of people in their job for less than two years has risen from 24 per cent to 28 per

## Labour market

Employment type	1985	1995	2005
Permanent	84	82	79
Part-time	21	24	25
Self-employed	11	13	13.5
Temporary	5	6	8

Employees with or without contracts Source: Business Strategies

## Business advisers' revenues up 15%

By Tim Dickson

Confirmation that management consultancy is a growth business was provided yesterday in the 1995 results from members of the industry's main trade body.

Aggregate revenues of firms belonging to the Management Consultancies Association jumped 15 per cent to £1.25bn (£1.61bn) last year. Income from outsourcing showed a 46 per cent growth.

The three activities that the MCA says are associated with an expanding economy - strategy, marketing and human resources - also showed a strong advance. However, revenue from public sector work fell £71m to £182m. Overseas growth was also minimal.

Recent criticism at Westminster of the amount spent on outside consultancy by government departments is thought to have had an effect.

"There is political pressure to reduce the spend on consultancy irrespective of whether there is a need, and also to avoid consultancies with brand names," Mr Ian Harvey, the MCA president, said yesterday.

Mr Harvey believes "all the traditional indicators of a growing economy" are reflected in the 1995 results. Income from corporate strategy and organisation development was up 40 per cent at £182m. Marketing and corporate communication was up 60 per cent at £28m, and human resources work pulled in £61m, up 52 per cent on a year ago. Financial and administrative systems income, mainly connected with work for City institutions, rose by 42 per cent to £22m last year.

**Hong Kong**  
Private Placement of Shares of  
Hong Kong Telecommunications Limited  
January, 1996  
**US\$465,707,000**  
Peregrine Capital Limited  
Sole Underwriter and Placing Agent

**Thailand**  
Placing and New Issue of Asian Bonds of  
Tanyong Public Co. Limited  
January, 1996  
**Baht 3,200,000,000**  
Peregrine Fixed Income Limited  
International Lead Manager/Arranger

**Hong Kong**  
Initial Public Offering of H-Shares of  
Jingwei Textile Machinery Company Limited  
January, 1996  
**US\$29,902,000**  
Peregrine Capital Limited  
Sponsor and Lead Underwriter

**Hong Kong**  
Placing and Subscription of Shares of  
CMC Pacific Limited  
January, 1996  
**US\$692,307,000**  
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# Banks consider launching 'electronic purse' system

By Alison Smith,  
Investment Correspondent

Four UK high-street banks are in detailed talks on launching a stored-value smart card or "electronic purse". A decision whether to proceed is likely to be taken in June, and a pilot project could be launched around the turn of the year.

The four - Barclays, Lloyds TSB, Abbey National and Royal Bank of Scotland - are considering setting up a competitor to the Mondex card, which is backed by National Westminster Bank, Midland Bank and British Telecom.

The electronic purse could be a separate card or an extra function on credit cards. Like

Mondex, customers could load up the card with money and then spend it in any shop where there is a matching handling machine.

But on current plans it would operate on a different basis from Mondex and use Visa payment systems. A Mondex card can be used to transfer value from one individual to another - for example within a family - as well as using it in the high street. The Visa system would require retailers to be registered, and records of all transactions to be kept.

If both systems develop separately, there is a risk that retailers would have to use different machines to handle purchases on different cards.

The Mondex card has been piloted in Swindon since July last year, and an extension of the pilot could be announced within the next few weeks.

One suggestion for piloting the new electronic purse is a "commuter card" scheme in which machines to load up the cards with cash would be located at rail stations and shops at stations would be equipped to take the card. Another prospect is of reaching agreements with food outlets particularly likely to appeal to young people.

He said it would be important for the banks to make sure that retailers could take whatever mix of cards they wanted, without having to use different terminals.

NEWS: UK

# Government poised to announce EMU referendum

By Robert Peston, Political Editor

The government is likely to announce a decision in favour of holding a single currency referendum in the next few weeks, following a review to be carried out by the foreign secretary, Mr Malcolm Rifkind.

The prime minister wants to make such a commitment, in the hope that it would reduce the incessant bickering in the parliamentary Conservative party about European monetary union.

However, he is facing opposition from two of his most pro-European senior colleagues, the chancellor, Mr Kenneth Clarke, and the deputy prime minister, Mr Michael Heseltine.

Senior members of the government hope that Mr Rifkind's review will find a way of allaying their concerns. However Mr Clarke has made it clear that he regards the issue as of fundamental importance.

Mr Clarke is concerned at the government's drift in a sceptical direction and is understood to regard a referendum commitment as the

"final straw", according to one of his colleagues. It is believed he may threaten to resign over the issue. However, a senior member of the government said last night that "Ken is far too sensible to push it to the wire in that way".

Mr Clarke and Mr Heseltine have become more isolated on the issue, following a change of heart by Mr Michael Portillo, the defence secretary and leading Eurosceptic member of the cabinet. Mr Portillo had also been arguing against a referendum, but has now decided to back

whatever decision is taken by the prime minister.

A minister said yesterday that it was possible that a compromise agreement could be reached with Mr Clarke, so that when a decision on the referendum is taken, the principle of collective cabinet responsibility could be waived to allow the chancellor to signal his disagreement.

Mr Clarke once again signalled his strength of feeling on the single currency when he accused Eurosceptics of being "obsessive and hysterical" about the issue.

In a BBC radio interview, he said it would be better to take the referendum decision "if and when it happens".

The prime minister yesterday told the Commons that he had "made it clear on previous occasions" that he believed "a referendum on joining a single currency could be a necessary step" and he remained of the view that "it might be the right course".

Late last year, he said that any referendum would only take place after the cabinet had taken a decision to join the single European currency. Mr Rifkind's review will con-

sider whether such a plebiscite would take place before or after the Commons has the opportunity to vote on the issue.

Eurosceptics were also yesterday lobbying the government to rush an act through parliament suspending the applicability of European Union law on the UK courts pending the outcome of the forthcoming inter-governmental conference on reforming the EU's institutions.

Their moved followed widespread anger at the recent decision to allow Spanish fishermen to sue the British government for damages.

## Banking regulator highlights failings

By George Graham, Banking Correspondent

The UK's top banking supervisor yesterday called for better co-operation among regulators - and especially between banking and securities industry regulators.

In a speech to the International Swap and Derivatives Association's annual meeting in San Francisco, Mr Michael Foot, head of banking supervision at the Bank of England, said the collapse of the UK's Barings group and the bond trading losses incurred by Japan's Daiwa Bank in its New York operations had pointed to shortcomings in the exchange of information between regulators.

"Each host country may have a piece of the jigsaw. Who is going to piece these together?" he asked.

In the Daiwa case, Japanese supervisors had failed to share information about the trading losses with their counterparts in the UK.

Although co-operation among banking supervisors now works reasonably well, Mr Foot indicated that there were still differences of approach with securities industry supervisors.

He urged securities regulators to accept that for each financial group, there should be one lead regulator who takes charge of the exchange of information and takes a primary role in managing any emergency that might arise.

The lead regulator should take responsibility for the consolidated supervision of groups that may be spread across a range of countries and segments of the financial industry, he said.

Mr Foot said bank supervisors now accepted the idea of a lead regulator, but not all of their securities counterparts did - "perhaps because they have the view that typically security firms' assets are more liquid and that, therefore, problems arising in the rest of the group will not prevent an orderly winding down of the securities operation."

## Rhetoric over single currency under scrutiny

By Gillian Tett, Economics Correspondent

As the preparations for any possible European single currency gather pace, Courtaulds, a UK producer of the man-made fibre Tencel, is watching the European rhetoric closely.

Courtaulds's other main European competitor in tencel, most of which is made into fabrics, is based in Austria - a country which would almost certainly be part of any possible single currency group.

Mr Sipko Huisman, Courtaulds finance director, fears that, as a result, if any protectionist rhetoric ever emerged under Emu, Tencel might one day be affected.

"There is no actual protectionism now and none threatened. But if some countries proceed with monetary union, the threat can't be dismissed," says Mr Huisman.

Such fears might seem fanciful, given the multitude of uncertainties that still surround the single currency project. Far fetched or not, these concerns largely stem from rhetoric that has emerged from the continent itself, particularly France.

The slide in value of the Italian, Spanish and UK currencies against the French and German currencies in the last two years has prompted howls of outrage from some French companies.

In recent months the issue has faded slightly, as some of these currency swings have moderated. But the memory of the swings remains fresh - leaving many business observers and French officials adamant that countries which remain outside a future single currency must be tied into a Euro through some form of exchange rate mechanism to guard against future "competitive devaluations".

The problem is that the UK is deeply opposed to any re-entry into a new ERM - a stance that many French observers believe would risk splitting the single market. Most vocal in these threats is Mr Jacques Calvet, director of Peugeot, who has warned that a failure to create currency "order" could lead to protectionism.

Meanwhile, Mr Gerard Soulaire, of the Danone French food conglomerate and the country's accountants association, says: "France will no longer tolerate countries like the UK or Italy in a single market if they might engage in competitive devaluations."

Optimists at the European Commission insist it is unlikely this French rhetoric would ever lead to any action, not least because they are not currently matched by similar demands from Germany. If sterling remains strong - or a future UK government accepts a link to the Euro - the issue would disappear.

## Business balks at anti-EU sentiment

By Gillian Tett, Economics Correspondent

A group of chemical executives recently paid a private visit to Mr Michael Portillo, defence secretary, to deliver a heartfelt warning.

Unless the UK toned down its anti-European rhetoric in the single currency debate, then the chemical sector and other British businesses operating in Europe could be seriously damaged, they argued.

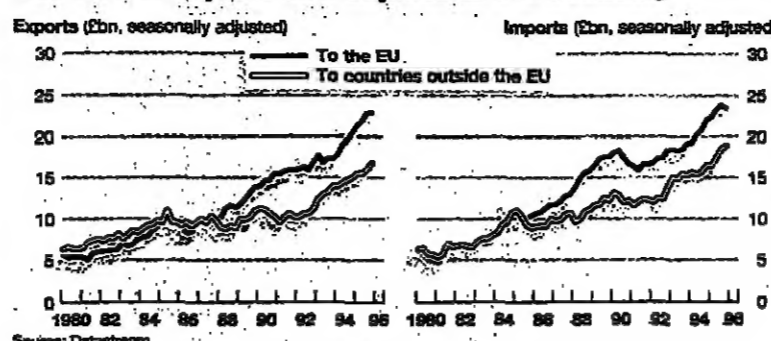
The plea, to one of the cabinet's leading Eurosceptics, appeared to fall deaf ears. "Portillo seemed to be telling us that that was just the price to pay for being British," one participant muttered.

But the lobbying mission highlights growing concern within the chemical sector about some Conservative politicians' determination to ensure that Britain's single currency opt-out becomes permanent - and the impact this would have on the UK's success within the single market.

On the face of it, these fears so far have been relatively muted in the single currency debate in the UK. The Confederation of British Industry, for example, called earlier this week for a more "business-focused" debate on Europe. But with the CBI membership itself polarised, the organisation studiously adopted a pragmatic line, carefully following the government's "wait and see" approach to possible membership.

The cautious stance has infuriated some businessmen. A group of senior executives opposed to Emu last month joined forces to decry the project.

The role of exports and imports in the economy



Anti-Emu voices are apt to be loudest in the debate. However, an informal survey of 20 of the largest companies shows that although opinions remain very divided about the actual merits of Emu, several large groups are quietly stepping up their analysis of business scenarios if Emu goes ahead.

ICI recently created a task force to look at the issue, while British Airways made a similar move last year. Shell has discreetly done the same - although it remains highly touchy about the project. Meanwhile, the banking sector has markedly stepped up its work since the Madrid Emu summit at the end last year.

For some companies, the conclusions of these studies are worrying. In particular the flurry of protectionist rhetoric that emerged from countries like France in the aftermath of the currency swings last year, has left some fearing that subtle forms of protectionism could emerge if the UK stays outside Emu.

BAT, for example, is one

group that has given the matter considerable thought, and is now trying to integrate its European treasuries to prepare for any monetary union.

It says that a single currency without the UK is unlikely to affect its core tobacco business. But it is alarmed about the threat of protectionism for its financial services group, as it attempts to expand into Germany.

However, it is the chemicals sector which is perhaps most vocal in its fears.

The chemical industry's awareness of the issue - and its willingness to lobby - partly stems from bitter experience. For with 80 per cent of the legislation affecting the sector now emanating from Brussels, chemical companies believe that the UK's anti-European stance is already harming them.

As Mr Bryan Sanderson, managing director of British Petroleum says: "British companies now start every single debate a few steps back in Europe - that puts us

at a real disadvantage."

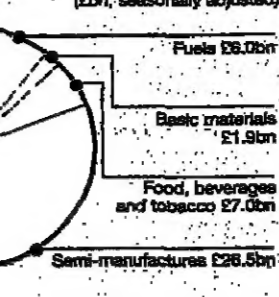
However, their fears also reflect the nature of their investments. The companies need to make large, long term investments that could be seriously affected by a single currency or rising protectionism.

So far there is little evidence that these concerns have affected investment decisions yet most executives insist that the short term difference in labour costs between the UK and countries like Germany is still offsetting any longer term risks.

Indeed, some foreign observers are even claiming that the UK staying outside a single currency would boost foreign investment. Mr Haruko Fukuda, deputy chairman of Nikko Securities says: "Japanese investors would actually prefer Britain to stay outside the single currency so that their production bases here continue to enjoy the benefits of a competitive exchange rate."

However this view remains rare: many foreign investors

Value of exports to EU by commodity (Ebn, seasonally adjusted)



are now becoming more vocal about their desire to see the UK to stay at the heart of Europe.

Mr Haruyuki Miyadai, head of policy planning in Europe for Toyota, says: "For us it is very important that the UK remains in the mainstream of the European Union like France and Germany. What concerns us is a worst case scenario where the UK opts out and political and emotional relations with Continental Europe worsen."

Most companies might insist that this scenario is still hypothetical. Indeed, a few like pharmaceutical group Zeneca and construction giant Tarmac are confident enough to argue that EMU will never actually occur.

But few companies in the chemicals sector are prepared to make such bold assumptions with so much business at stake - whatever the twists in the UK political scene.

Additional reporting by Michael Cassell, Jeremy Luesby and Daniel Green.

## MANAGEMENT

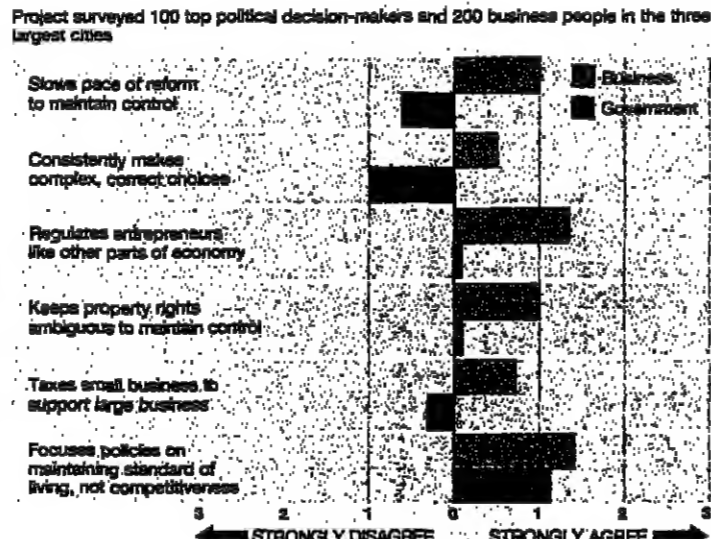
### Divergence of views: attitudes towards Tatar government policies



President Mintimer Shaimiev



RUSSIA  
KAZAKHSTAN



## Tatars turn

The former Soviet republic is receiving western advice on improving competitiveness, explains John Thornhill

about the task with relish.

"In most cases we are normally tweaking the existing market economy but in this case we were helping create a new system from the ground up," says Mark Fuller, Monitor's chairman.

It was immediately obvious that Tatarstan boasts more natural advantages than most Russian regions. Tatarstan is one of the richest oil-producing areas in the former Soviet Union. Its annual output of more than 25m tonnes is expected to last for another 30 years.

The republic was also a centre of high-technology arms production, turning out the Blackjack and Backfire bombers, and home to the giant Kama truck plant. That spawned many manufacturing plants as well as a large number of technical institutes producing graduates with exceptional skills.

But Monitor perceived that Tatarstan was in danger of becoming an "advanced backward economy" which, despite its educated workforce and technological base, was dependent on crude oil to provide 90 per cent of its international exports.

The region's abundance of natural resources could be as much of a curse as a cure for the economy. Reliance on oil could crowd out investments in other sectors as many Middle Eastern countries have discovered to their cost.

Monitor argued the region's stan-

dard of living would only rise if it could increase the export of sophisticated goods. To this end, it is fleshing out proposals with the Tatar government to develop "clusters" of industries, adding more value to oil products within the republic and building on its automotive industry infrastructure.

Such advice would be familiar to students of Porter's thinking. But perhaps more significantly in Tatarstan's case, was that the project stimulated fresh thinking among the 100 top decision-makers in the republic about how they could unleash their people's creative powers.

Alexander Tarkayev, chairman of the local Chamber of Commerce and industry who worked closely on the project, says: "Monitor has been very important in changing our ideas about competition. A year ago I thought Tatarstan's competitors were France and Germany."

"I now realise that our real competitors are neighbouring regions such as Yekaterinburg and Nizhny Novgorod."

Monitor argued Tatarstan must aim to distinguish itself from neighbouring regions to attract increased international and domestic investment by developing a supportive business environment.

The government is already committed to investing \$50m (£34m) in a state-of-the-art wireless telecommunications network and is supporting

a reconstruction of Kazan Airport to encourage more international flights.

The Tatar government is actively courting foreign investors by introducing tax holidays and is opening trade offices in several foreign cities including Paris, Washington DC, and Adelaide and promoting the region's attractions on CD-ROM presentations.

It is also aiming to stimulate capital change from the bottom up rather than imposing it from the top down. To this end, it has like a bonfire of bureaucratic regulations to ease the formation of small businesses and is even encouraging students to work on projects to improve competitiveness.

But Soviet-era instincts run deep in the local population. The Monitor project met resistance from some Tatar leaders who cavilled at its \$1m cost at a time when government ministers earn \$300 a month.

Monitor's consultants say they learned much from the project. The most significant insight was that economic reform can only succeed if ordinary people participate on a mass scale.

"The Tatarstan government wants to make as many people as successful as possible so that there is support behind the reforms," says Bruce Allen, a Monitor consultant. "The most important thing is to change things so that they have legitimacy."

## Planning a move in the right direction

Business people need to stand back from their busy careers and take stock. Tim Dickson reports

When Peta Lyn Farwagi approached George Bain six months ago with a plan to develop his personal "life strategy", the London Business School principal admits he was more than a touch sceptical.

"I'm not a touchy feely sort of person who sits around philosophising about life," he says. "If Peta hadn't been on the Sloan fellowship programme at the school a few years back I'd probably have written her a polite letter saying 'No thank you'."

Half a dozen counselling sessions later, however, Bain is both happy to plug his alumna's unusual new consulting work and to talk publicly about how it helped him re-think his own plans "for the next 20 years".

Just turned 57 and due to step down from one of the hottest seats in management education at 60, Bain has, for example, started to talk about "restructuring" his job over the next three years so that he can concentrate his energies less on shaping the school's international strategy (a task which he believes is largely achieved) and more on raising funds for LBS' future growth.

After "retirement" he is now convinced that what he wants is not so much another "big" job of the kind someone in his position could expect, as the opportunity to return to his academic roots, indulge his hobby of history and involve himself in a number of three- to five-year projects. One of these might be a book based on the observations he has been gathering throughout his life.

As to where he might base himself for at least part of what Charles Handy calls the "third age", his reflections with Farwagi will disappoint Vancouver estate agents but bring a flutter of anticipation to the hearts of those who sell island pied à terres an hour's drive from Winnipeg.

"I've always assumed that in time I'd spend a quarter of the year in Canada, which is why I say I'm 25 per cent Canadian," explains Bain. "The more we chatted about this aspect, though, the more I realised a lot of the resources I'll need, a lot of the



Farwagi and Bain she helped him rethink his own plans "for the next 20 years".

best networks for me are not on the western seaboard which I got to know in Navy days and where I thought I'd end up, but in the Prairies. I suppose the process was a bit like someone in the UK realising that, idyllic as it sounds, retiring to Cornwall has its drawbacks."

Farwagi's conviction is that growing numbers of business people - not just senior and successful figures such as Bain nearing the end of their careers - need to step back from busy jobs in this way, consider what they want out of life, and decide whether they are heading in the right direction. "Change points", as she calls them, can come in early, mid and late career.

Ironically, the business school environment does offer just such an opportunity for "students" if not for deans - participants on open executive programmes frequently comment on the advantages of reflecting away from the daily office pressures and routines - but according to Farwagi, companies need to take life balance issues and individual strategies more seriously. Better managerial performance, reduced stress levels and a stronger alliance between employer and employees will be the result.

Born in California, she has had the sort of career which has, as

she puts it, has given her "a big picture". A competitive ice skater in her teens - an art she still draws on in presentations - she has worked as travel editor and arts editor of Vogue (interviewing everyone from Mel Gibson to New Guinea tribesmen), run her own publishing company, written two books and trained for a year as an experiential psychologist. She has worked in 65 countries.

Her interest in human behaviour and motivation was fed by the Sloan programme experience when she noticed that a lot of her peers "didn't quite know where they were going".

People are often "trying to balance disparate rhythms", she adds. "When the input gets too much for us to digest we run out of energy, forget how to laugh and lose a sense of being connected to those around us."

Farwagi's other clients include the business woman Prue Leith, whose non-executive board priorities she helped reorganise.

Bain praises Farwagi as a facilitator not only for forcing him and his wife to take time out explicitly to consider the issues - and to think of them between sessions. He also believes it was valuable to engage in a dialogue with someone "who is disinterested, who has no axe to grind, who won't be judgmental".

Banking regulator highlights failings

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IN BRIEF  
Adidas doubles to DM245m for year

Adidas, the German sports goods maker, reported annual results at the top end of expectations. It said net income had more than doubled to DM245m (\$165m) in 1995, from DM117m in the previous year. Sales rose 9.5 per cent to DM3.5bn. The results coincided with announcement of the resignation "by mutual agreement" of Mr Pierre Gallois, the finance director. Page 18

**Chargours to sell Walon unit**  
Chargours, the French media and textiles group which announced its intention at the end of last month to split into two quoted groups, said it intended to sell its Walon subsidiary, which provides overland transportation and distribution of cars from manufacturing plants or ports to dealers. Page 18

**Avesta Sheffield gives best showing yet**  
Avesta Sheffield, the Anglo-Swedish specialist steel-maker, reported its strongest full-year profit performance since it was formed in 1992 by the merger of Sweden's Avesta with the stainless steel operations of British Steel. Pre-tax profits in 1995 jumped almost threefold from SKr1.56bn in 1994 to SKr4.3bn (\$636m). Page 18; Krupp Hoechst reports signs of improvement in prices. Page 18

**Hogovens follows rise with warning**  
Hogovens, the Dutch steel and aluminium producer, reported a 48 per cent rise in 1995 net profits to Fl 507m (\$90m), against Fl 354m a year earlier, but warned of a probable slowdown for the first half of 1996. Page 19

**Asturiana de Zinc shares take a dive**  
The stock market career of Asturiana de Zinc, the Spanish miner and metal refiner, have always been volatile. It proved so again this week after the company revealed it might have to provide Pt111.95bn (\$96m) for losses on a large position in zinc futures. Its market capitalisation plunged Pt13.5bn, or 27 per cent, in just two days. Page 19

**Hongkong Electric rises despite slowdown**  
Hongkong Electric Holdings, which owns the monopoly supplier of electricity to Hong Kong island, reported an 8.8 per cent rise in net profit to HK\$4.19bn (US\$542m) for 1995, in spite of decelerating sales growth. Page 22

**Trizec plans overseas expansion**  
Trizec, one of North America's highest property developers, plans to expand overseas, combining its own expertise with contacts built up by other companies controlled by Mr Peter Munk, the Canadian entrepreneur. Page 23

**Howland vows to make a comeback**  
Mr Tiny Rowland, the 78-year-old former chief executive of Lonrho, vowed to "start out all over again" after raising \$91m (\$140m) from the sale of most of his shares in the international conglomerate. "Don't think I'm going to retire. I've got \$450m in cash. I don't owe anyone a penny and I am going back into business," he said. Page 26

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Chief price changes yesterday

Company	Price	% Change
Adidas	65.5	+ 5.1
Ahold	700	+ 30
Alcatel	58	+ 24
Arjo Wiggins	540	+ 24
Ashanti	117.5	+ 14.5
Asturiana de Zinc	304	+ 104
Avesta Sheffield	324	+ 25
BPH	45	+ 31
BSkyB	63	+ 49
Bentley International	174	+ 16
Bertelsmann	27	+ 8
British Steel	45	+ 8
CLT	45	+ 12
CS Holding	453	+ 27
Canal Plus	508	+ 27
Casino	250	+ 50
Ciba	21	+ 2
Cheriant	12	+ 14
Codan	9	+ 6
Copenhagen Airport	114	+ 14
Crisoba	194	+ 14
Digital Equipment	144	+ 14
Eurotunnel	108	+ 151
Falck	108	+ 151
Ferret	108	+ 151
Fresenius	108	+ 151
Goodman Fielder	108	+ 151
Havas	108	+ 151
Hercules	108	+ 151
Hongkong Electric	108	+ 151
Hogovens	108	+ 151
Horsham	108	+ 151

Murdoch apologises for deal confusion

By Alice Rawsthorn in London, Judy Dempsey in Berlin, Andrew Jack in Paris, Neil Buckley and Raymond Snoddy in Brussels

Mr Rupert Murdoch telephoned senior executives of Bertelsmann, the German media group, and Canal Plus, the French pay-TV company, to apologise for the confusion over an announcement by BSkyB, his UK satellite company, that it had clinched an agreement to invest in a German pay-TV channel.

BSkyB issued a statement on Wednesday saying that it was acquiring a 25 per cent stake in Premiere, the loss-making German channel, for \$270m by buying half the shares from Bertelsmann and half from Canal Plus, both of which own 37.5 per cent stakes.

At the request of Bertelsmann and Canal Plus, BSkyB later released another statement acknowledging that the deal required the agreement of all Premiere's shareholders, including Kirch, the German media group that owns the remaining 25 per cent.

Mr Murdoch made telephone calls on Wednesday night to Mr Pierre Lescure, chairman of Canal Plus, and Mr Michael Dornemann, a director of Bertelsmann.

During those calls he apologised for any confusion arising from the announcement.

Bertelsmann and Canal Plus confirmed yesterday that they were still willing to conclude the Premiere deal with BSkyB. Kirch said that it had not yet been consulted about the proposed deal and declined to comment on whether it would give its approval.

If Kirch refuses to consent, one option might be for BSkyB to hold the 25 per cent stake in Premiere indirectly, by investing in a holding company that owns the Canal Plus and Bertelsmann stakes. However, such a deal would leave it without representation on the Premiere board.

Both Bertelsmann and Canal Plus confirmed that they were pressing ahead with a venture with BSkyB to develop digital pay-TV services in Europe.

They will each own 30 per cent of that venture while Havas, the French media group that owns 23.5 per cent of Canal Plus, will take the remaining 10 per cent.

Mr Karel Van Miert, the European competition commissioner, yesterday warned that the venture, which is expected to start by launching a German service, would come under scrutiny from Brussels.

The announcement of BSkyB's inclusion has enraged CLT, the Luxembourg broadcasting group which had held its own talks with BSkyB about a pay-TV alliance. It had also previously considered investing in Premiere, but decided against it.

CLT yesterday publicly criticised Havas, one of its shareholders, for jeopardising its proposed alliance with BSkyB. Mr Michel Delloye, a CLT director, accused Havas of "betrayal" in Le Monde, the French newspaper.

The controversy deepened when Groupe Bruxelles Lambert (GBL), the Belgian holding company that owns stakes in both Havas and CLT, announced that it was considering selling its 4 per cent stake in Havas.

Lex. Page 16

DMG launches country funds

By Maggie Urry in New York

Deutsche Morgan Grenfell, the investment banking division of Deutsche Bank, is launching a range of country-specific index funds which will trade on the New York Stock Exchange in the same way that individual stocks trade. The product, dubbed CountryBaskets, is intended to give investors a more efficient method of taking an exposure to one country's stock market.

They are likely to be emulated by others and Morgan Stanley plans to launch World Equity Benchmark Shares (Webbs), which will trade on the American Stock Exchange. The CountryBaskets funds will be based on the Financial Times/Standard & Poor's country indices.

Initially, the DMG index funds will cover nine countries, with launches timed for the week beginning March 25. The bank expects to raise \$300m-\$700m but sees opportunities for growth. Further funds are planned and DMG aims to have the shares traded in European and Asian time zones.

The funds will be open-ended, with shares issued or redeemed on a daily basis, while the net asset value of the funds will be calculated every 30 seconds.

The daily redemption or issuing feature will allow arbitrageurs to take advantage of any mispricing between the nav and the share price so any discrepancy between the two should be eliminated rapidly.

The funds will hold the underlying shares of the indices and will not use derivatives or leverage. This enables some institutional investors which are not permitted to use derivatives to gain an exposure to world markets. Investors will be able to sell the shares short, so that they can be used for hedging as well as investing.

Mr Joseph La Corte, chief executive of the index fund product, said he expected the shares to appeal to a broad range of investors, from individuals to all but the largest institutional investors. The management costs of the funds will average 84 basis points of each fund's value per year, less any income the fund earns from lending the underlying stocks.

The nine stock markets to be covered are: Australia, France, Germany, Hong Kong, Italy, Japan, South Africa, the UK and US. These markets constitute 85 per cent of the world's market capitalisation.

Sweeping changes expected at Arjo Wiggins

By Patrick Harverson in London

Sweeping changes are expected by senior managers at Arjo Wiggins, the Anglo-French paper company, when a strategic review is completed this summer.

According to one top Arjo executive, it is more wide-ranging than expected and is likely to involve the sale of some of the company's main businesses. Acquisitions are possible.

Arjo's European carbonless paper business is regarded by analysts as the most likely candidate for an outright sale or a merger with another company.

The review is being conducted by Mr Daniel Melin, Arjo's new vice-chairman, who is also chairman and chief executive of Saint-Louis, the French paper and food group which owns 40 per cent of Arjo. The difficulty facing Mr Melin was illustrated yesterday when Arjo reported a 67 per cent drop in annual pre-tax profits to \$71m (\$109m). This was primarily because of falling demand and the cost of a \$120m restructuring of underperforming European operations.

An executive working with Mr Melin said: "Shareholders were pretty unhappy with what was going on and Mr Melin is spending a lot of time fundamentally reassessing group strategy. There may be some quite radical changes." He said following the review, strategy would be more oriented towards shareholder value. "Some things may be sold and some things may be bought. Whatever happens, the cards will go up in the air and come down differently from where they are now."

Mr Melin was appointed vice-chairman and head of a new executive committee in December after a profits warning had undermined shareholder confidence and revived doubts about Arjo's management. The shares deteriorated so sharply and its market capitalisation fell so far last year that the stock was removed from the FT-SE 100 index in December.

The review aims to restore the group's profits, revive the flagging share price. Mr Melin is under pressure from his own shareholders at Saint-Louis because a 30 per cent fall in Arjo shares since last summer has wiped more than \$250m off the value of the French group's stake.

Lukoil looks to western groups for potential collaborators

Searching for bigger fields

Lukoil, Russia's largest privatised oil concern, has achieved much since its creation five years ago. But it acknowledges it has hardly begun to realise its ambitions of becoming one of the world's most dynamic international energy companies.

Under the direction of Mr Vadim Alekperov, its energetic president, Lukoil has grabbed many of Russia's prime oil-producing assets and muscled its way into a 10 per cent share of an international consortium to exploit the vast oil resources under the Caspian Sea.

It has also raised its profile among international investors by selling 6 per cent of its equity to Atlantic Richfield, of the US, by means of a convertible bond for \$30m (\$164m) and issuing proxy shares American Depositary Receipts (ADRs) in New York.

Lukoil has led the pack of big Russian companies trying to wrench free from the quagmire of the planned economy to create western-style, market-driven enterprises. These are beginning to place shareholder profits above production figures.

In so doing, Lukoil has emerged as the most valuable company on Russia's ramshackle equity market, with a potential value of more than \$8bn, and is styling itself as the first corporation of the modern era. Its red and silver corporate logo is mushrooming on billboards and garages across the country and is even plastered on the plant pots in the company's lavish headquarters opposite the Sandunovskiy baths in central Moscow.

But in an interview, Mr Alekperov is reluctant to dwell on this burst of past activity. The quietly-spoken oilman has his gaze fixed on the future. After securing its assets, Lukoil is now looking to diversify into north Africa, Iraq, and other countries in the Commonwealth of Independent States, and expand into cash-generative downstream activities, such as petrol retailing.

Some of the rhetorical bravado of Lukoil's early years appears to have evaporated and there is a more sober realisation of what is left to accomplish. Mr Alekperov says Russian oil output is likely to bottom out this year at about 300m tonnes but will rebound only slowly thereafter given the industry's ageing infrastructure, unhelpful fiscal and business climate, and lack of capital resources.

The most striking change is that Lukoil seems keen to work more closely with western companies, such as Amoco, BP, Atlantic Richfield, and Chevron, not just in CIS countries, such as Azerbaijan and Kazakhstan, but also within Russia.

"Today, on all our important projects, we are co-operating with the most powerful American and European companies," he says. "It is essential to include partners who can contribute their own traditions and practices. Some of them have good technical skills, some geological, others financial."

This co-operative spirit marks a seismic shift in the outlook of, at least, some of Russia's oilmen, who have been among the more nationalistic business leaders. But it perhaps reflects a growing realisation that Russian oil companies will not be able to generate sufficient cash flow or raise enough capital to make large investments by themselves in the immediate future.

The Russian parliament recently passed an amended version of a production-sharing agreement which, despite some imperfections, will give foreign investors greater confidence about the legal environment. It may lead to the realisation of some multi-billion dollar investments in the northern Timan-Pechora basin, western Siberia, and Sakhalin island in the east.

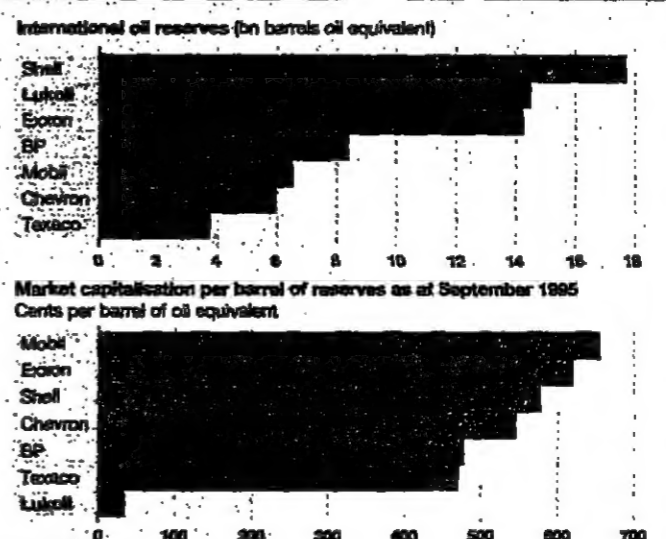
Mr Alex Knaster, the head of the Moscow office of GS First Boston, the international investment bank which acts as financial adviser to Lukoil, says it makes sense for Russian companies to parlay domestic political influence for economic advantage. "One of Lukoil's great strengths is its ability to get things done in Russia and that ability is worth money," he says.

Lukoil is aiming to increase its own firepower by selling 15-20 per cent of its equity this year. Mr Alekperov believes Lukoil can expect to raise \$40m from the sale, which will be targeted at investors in the US, Europe and Russia - although this implies a substantial, and unexplained, rise in Lukoil's share price.

Mr Alekperov is concerned that the uncertain political climate in Russia, before the presidential elections in June, may paralyse business activity. He suggests few western oil companies will make large commitments to Russia before the elections. They may wait even longer if Mr Genady Zyuganov, the Communist party leader who has talked about renationalising some strategic oil companies, wins.

Mr Alekperov says Russia's market reforms have gone too far to be reversible but has no firm idea about what the communists would do if elected.

"I do not think the communists threaten us but they do threaten to change the rules of the game which will influence all economic activity," he says. "Only after three months would we discover whether Zyuganov is a reformer or a retrograde."



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John Thornhill

Restructuring provision pushes Aérospatiale into red for year

By David Buchanan in Paris

Aérospatiale, the French state-owned aerospace and defence group, yesterday reported improved operating profits in 1995, but said a FF1.5bn (\$296m) provision for restructuring costs pushed it FF981m into the red, double the 1994 loss of FF483m.

Pretax operating profits rose from FF28m in 1994 to FF633m last year on turnover up FF48.58bn to FF49.23bn. Aircraft and space sales led the increase, while helicopter and missile sales fell.

Mr Louis Gallois, president, claimed an underlying profits improvement of about FF1bn because the FF500m rise in operating profit had been achieved despite a fall in the US dollar that had cost the company FF576m.

However, in an interview yesterday with Le Figaro newspaper, Mr Gallois conceded the group was still drawing in insufficient new orders - despite this week's announcement of new Airbus orders from the US - and that it remained undercapitalised. He implied that the heavy cost of restructuring, involving a 15 per cent cut in the workforce between 1995 and 1997, would keep the group in loss this year.

He forecast it would break even in 1997 and make a profit in 1998.

At the government's instigation, Aérospatiale is to examine ways of merging its activities with the Dassault aircraft company in which the French state has a 46 per cent stake. Mr Gallois said there was "strong logic" to this at a time of falling French defence orders.

"The rapprochement with Dassault will, one way or another, lead to an opening up of the capital" of Aérospatiale, which is 100 per cent state-owned, Mr Gallois said. Despite reducing its net debt by FF1.1bn to FF6.5bn at the end of last year, Aérospatiale

has been asking the government to boost its capital by FF10bn. Dassault, which has yet to report its 1995 results, is said to have cash of about that amount, though much of it is advances on Mirage jet orders from Taiwan.

Under the government-brokered plan, Aérospatiale and Dassault are to set up a "pilot committee" to report by the end of June on ways of forming a joint company within two years. Mr Gallois said the timetable was "tight but tenable".

Mr Gallois stressed that Aérospatiale would pursue its plans to form joint ventures this year with Daimler-Benz Aerospace (Dasa) in satellites and missiles, and that only later might he respond to the interest of the private French Lagardere group in these areas of Aérospatiale's activities.

Aérospatiale's aircraft sales increased last year by 5.7 per cent to FF24.65bn, accounting for half of group turnover.

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## INTERNATIONAL COMPANIES AND FINANCE

## EUROPEAN NEWS DIGEST

## Casino ahead and plans overseas push

Casino, the French retail group, yesterday announced ambitious international expansion plans while reporting net income up 29 per cent at FF683m (\$125m). Mr Antoine Guichard, chairman, wants to expand in Europe, Asia and the Americas. He emphasised the cash-and-carry market in the US, and further developments in Taiwan and Poland. The remarks come as French retailers are under increasing government attack. Casino's turnover rose 2.6 per cent to FF64.1bn, or 3.6 per cent excluding currency effects, and operating profits were up 7.7 per cent at FF1.5bn.

Andrew Jack, Paris

## Ahold targets Asia

Ahold, the Dutch food retailer with six supermarket chains in the US and growing businesses in southern and eastern Europe, said it planned to generate 10 per cent of annual sales in the Asia-Pacific region within 10 years. The company announced it had signed a joint venture agreement with the Kuok Group, an Asian multinational involved in shipping, finance and leisure businesses, to develop a chain of supermarkets in Malaysia and Singapore. The group posted an 11.5 per cent rise in group net profits to F145.6m (\$27.5m). The results were aided by a strong fourth quarter, when net profits rose 16.4 per cent.

Ronald van de Krol, Zaandam

## Copenhagen Airport profits up

Copenhagen Airport increased pre-tax earnings by 36 per cent, from DKr277m to DKr376m (\$69m) last year, while turnover increased 17 per cent from DKr1.02bn to DKr1.20bn. The board of the state-controlled, part-privatised airport company proposed an increase in the dividend from DKr6 to DKr7 per share. The state holds 75 per cent of the shares in the airport but the government has indicated it will reduce its holding this spring by a further privatisation issue. Turnover from traffic operations increased 6 per cent to DKr662m. Turnover from tax-free sales and other business increased from DKr114m to DKr186m.

Hilary Barnes, Copenhagen

## Capital gains boost Codan

Codan, the Danish insurance group controlled by the UK's Sun Alliance, reported an increase in group net profits from DKr2m to DKr561m (\$88.4m) last year, while pre-tax profits increased from DKr5m to DKr741m. The results were strongly influenced by capital gains on the securities portfolios of the Danish accident and life assurance operations. Premium income slipped for the second year, from DKr3.76bn to DKr3.58bn.

Hilary Barnes

## Scor doubles and sees recovery

Scor, the French reinsurance group, yesterday indicated signs of recovery in the sector and reported net income of FF104m (\$19m) for 1995, up from FF728m in the previous year. Mr Jacques Blondeau, chairman, said reassurance in most markets was showing positive growth. Turnover rose 6.6 per cent - at constant exchange rates - to FF11.58bn.

Andrew Jack

Fokker, the ailing Dutch aircraft maker, said a decision about its future would be taken next week. Ronald van de Krol

## Correction

The table of pharmaceuticals company market shares that appeared in yesterday's Financial Times was supplied by IMS International.

## Chargeurs to sell Walon car distribution business

By Andrew Jack in Paris

Chargeurs, the French media and textiles group which last month announced its intention to split into two quoted groups, yesterday said it intended to sell its Walon car distribution business.

It said the decision reflected the logic of its move to focus on its core areas of operation, each of which would be held through a separate company.

Walon, which claims to be the European market leader, provides overland transportation and distribution of cars from manufacturing plants or ports to dealers. In the 1985 results, published yesterday, Walon reported a net loss of FF90m (\$17.6m), against a deficit of FF78m in 1994.

Under the deal announced last month, Chargeurs International will hold the textile interests. Mr Jérôme Seydoux,

the current chairman, will take charge of Pathé, which will hold its media interests including a 17 per cent stake in BSKyB, the satellite TV group.

The move by Chargeurs was heralded as the first significant move towards demerger by a French group, after similar initiatives in the Anglo-Saxon world, including AT&T, ICI and Hanson.

A number of other French companies have considered the idea, but have been held back by tax considerations. However, Chargeurs managed to seek pioneering approval by the authorities before its decision.

The deal is subject to shareholder approval in June, and will be preceded in April by a detailed document on the financial aspects of the two groups, as required by French stock market regulations.

Chargeurs yesterday also

provided fuller details of its 1995 financial results, including a net loss for the group of FF574m, compared with a profit in 1994 of FF344m, on turnover up from FF8.1bn to FF9.9bn. The dividend is unchanged at FF14 a share.

The losses came after a FF140m charge against its investments in Liberation, the daily left-wing French newspaper, in which it is becoming majority shareholder in an attempt to prevent closure.

There were also exceptional charges of FF34m against its purchase of Pathé Cinema, and FF63m in provisions to restructure its textile arm.

Its communication division reported losses up from FF3m to FF42m for 1995, despite turnover of FF1.1bn against FF651m. Textiles lost FF23m, compared with a profit of FF28m, on sales up from FF7.1bn to FF8.3bn.



Jérôme Seydoux: will take charge of Pathé, the media arm

## Adidas doubles to DM245m for year

By Wolfgang Münchau in Frankfurt

Adidas, the German sports goods maker, reported annual results at the top end of expectations. It said net income had more than doubled to DM245m (\$166m) in 1995, from DM117m in the previous year. Sales rose 9.5 per cent to DM3.5bn.

The results coincided with announcement of the resignation "by mutual agreement" of Mr Pierre Galbois, the finance director.

The resignation of Mr Galbois, who has been credited with reforming the company's outmoded accounting procedures, will take effect at the end of April. His successor will be Mr Dean Hawkins, a senior executive at Union Bank of Switzerland.

Sogedim, the investment group led by Mr Robert Louis-Dreyfus, chairman of Adidas, has reduced its stake from more than 55 per cent before last year's flotation to about 25 per cent. The remaining shares are spread among national and international investors. Mr Louis-Dreyfus confirmed yesterday that he would "stay until the [soccer] world cup of 1998 in Paris".

In Europe, sales rose 11.3 per cent to DM2.3bn, with strong gains in Germany, France and the UK. North American sales were static because of the strong D-Mark.

Expressed in US dollars, they rose 13.7 per cent. The dividend rose up 18.5 per cent to 25 pfennigs a share.

## Avesta Sheffield surge is below expectations

By Hugh Carnegie in Stockholm

Avesta Sheffield, the Anglo-Swedish specialist steelmaker, yesterday reported its strongest full-year profit performance since it was formed in 1992 - despite a sharp drop in prices in the fourth quarter of last year.

Pre-tax profits for 1995 jumped almost three-fold, from SKr1.58bn in 1994 to SKr4.3bn (\$630m), comfortably the best return achieved since the group was created by the

merger of Sweden's Avesta with the stainless steel operations of British Steel. Group sales rose to SKr16.5bn to SKr22.5bn.

But the steady rise in profits the group enjoyed from early 1994 until the middle of last year was reversed in the latter half of 1995. It emerged that much of the strong demand experienced earlier in the year for the cold rolled flat stainless steel products had gone to build up inventories. This was followed by falling demand for new supplies.

Fourth-quarter profits of SKr552m were ahead of the SKr707m reached in the same period of 1994, but were down from the SKr1.1bn of the third quarter. The fall left the full-year figure slightly below market expectations, although the share price ended unchanged yesterday in Stockholm at SKr45.50.

Avesta Sheffield, in which British Steel holds a 51 per cent stake, said a 19 per cent rise in cold rolled deliveries in the first nine months in Europe was "followed in the

fourth quarter by a sharp stock draw which is continuing at the start of 1996".

"As a consequence, order books which were strong in the summer are now very short. The market price for standard cold rolled products fell 7.5 per cent in the final quarter of 1995 and has since fallen a further 35 per cent. The trend was not reversed by production pauses." Profits would suffer as long as inventories were being drawn down. It was not clear how this would last. But it stressed that it

believed underlying demand for stainless steel was growing. Although the European pattern of inventory build-up had been followed in Asia, stock adjustments in the US had been much less severe and appeared close to balance.

In other product areas, Avesta said there had also been a weakening in orders and prices near the end of last year for hot rolled coil, long products and tubes. But demand for quarto plate and special stainless steel grades was firm.

## Krupp Hoesch reports signs of stainless steel price rise

By Michael Lindemann in Bonn

Krupp Hoesch, the world's leading producer of stainless steel, yesterday said stainless steel prices showed the "first tentative signs of an upward trend" in February, but analysts warned there was no indication that the rise would spill over into the broader steel market, regarded as a barometer of economic health.

News of improved prices at Krupp Hoesch emerged on the same day as Avesta Sheffield, the Anglo-Swedish

stainless steel producer, said it also saw a turnaround in prices and four US producers said they would raise prices by 5 per cent in May.

However, analysts remained wary about the possible implications of a rise in stainless steel prices, pointing out that the increases may mark a welcome respite for producers, which have seen basic prices for stainless steel collapse from about DM3,700 (\$2,500) a tonne early last year to as low as DM2,800 last month.

"I think the market is turning, but

it's turning from a low base," said Mr Alan Coats, a steel analyst at Merrill Lynch in London. "At DM2,800 everybody is losing money."

Steel prices are being watched carefully for any sign of upward movements which may hint at a pick-up in European economies generally, after growth came to a sudden standstill in the fourth quarter of last year.

Germany's biggest steel producers, which include Thyssen and Preussag, as well as Krupp Hoesch, put part of their workforces on short-time work-

ing in November and have not yet indicated any return to normal hours.

While the market for lower grade steels is generally driven by the automotive and construction sectors, stainless steel prices are also affected by other smaller markets such as hospital and kitchen equipment.

Krupp Hoesch has about 15 per cent of the world stainless steel market, ahead of Ulfors Sclior, the recently privatised French steel producer.

However, analysts said these larger producers still faced pressure in

Europe from smaller steelmakers, such as the Spanish Acerinox group and the Finnish steelmaker Outokumpu, operating with more modern and efficient plants.

● Hopes for an early pickup in the German economy suffered a further setback when the ZVEI umbrella group representing Germany's electronics industry said it expected production this year to be only about 1.5 per cent higher than last year. The industry said it expected to lose about another 30,000 jobs this year.

## Zeneca: the year's progress

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- ✓ 3 new anti-cancer products commercialised.
- ✓ Product acquisition programme strengthens medium and longer term prospects.
- ✓ Completed partnership with Salick Health Care, the leading US multi-site provider of comprehensive cancer diagnostic and treatment services.
- ✓ Strong Agrochemicals performance aided by new products and broad geographic presence.
- ✓ New fungicide 'Amistar' on track for 1997 launch.
- ✓ New joint venture negotiated with Suiker Unie will create a leading international seeds business.
- ✓ Rigorous Specialties portfolio management to enable the business to compete more effectively on a global scale.
- ✓ 'Quorn' sales doubled.

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By: The Chase Manhattan Bank, N.A.  
London, Agent Bank  
March 8, 1996

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The record date for the Rights issue was 31st December, 1995. Pursuant to the provisions of the Trust Deed constituting the Bonds, the Conversion Price of the Bonds has been adjusted as a result of the Rights Issue from Won 12,696 to Won 12,344 effective from 1st January, 1996 (the day after the record date for the Rights issue).

8th March, 1996  
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## INTERNATIONAL COMPANIES AND FINANCE

## Hoogovens ahead 43% but warns of slowdown

By Ronald van de Krol in IJmuiden

Hoogovens, the Dutch steel and aluminium producer, reported a strong increase in 1995 results, but warned of a probable slowdown in earnings growth in the first half of 1996 because of generally weaker economic conditions in Europe in particular.

Net profits soared from Fl 354m to Fl 570m (\$307m), an increase of 43 per cent, with the steel sector posting record results and aluminium swinging comfortably into the black from losses in 1994. The dividend is to be raised from Fl 2 to Fl 3 per share.

Turnover was up 2 per cent at Fl 8.1bn, but would have shown a 7 per cent increase had it not been for disposals. Profits were also held back by

the guilder's strength. The company calculated that the net negative effect of currency movements amounted to Fl 185m.

Hoogovens' figures were in line with analysts' predictions but its comments on early 1996 led to a drop in its share price in Amsterdam. The shares closed down Fl 2.10 at Fl 62.90.

Mr Maarten van Veen, management board chairman, said net profits before any extraordinary items would be "clearly lower" in the 1996 first half compared with the second half of 1995, which itself was weaker than the first six months of last year.

He attributed the slowdown since mid-1995 to weaker economies in Europe but also in the US. "So far we see few concrete signs of an upturn in the economy," he said.

Selling prices had weakened since the middle of last year, hurting margins, but Mr van Veen noted that prices appeared to have stabilised.

"Demand for the company's products for the automobile industry and aircraft construction, as well as for packaging, is holding up well," he said.

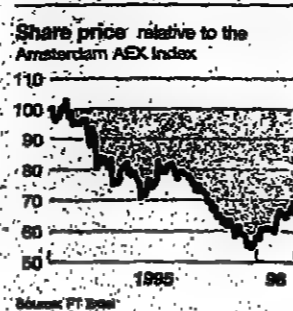
Mr van Veen also said that Hoogovens, after a period of cost-cutting, belt-tightening and reorganisation, was preparing to step up investment and boost its presence in Asia.

"This will not involve a sell-and-buy approach to these markets but will entail following our customers and developing new industrial activities in those countries, in most cases in collaboration with local partners," he said.

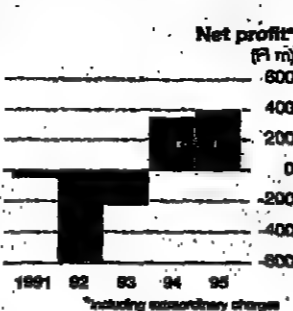
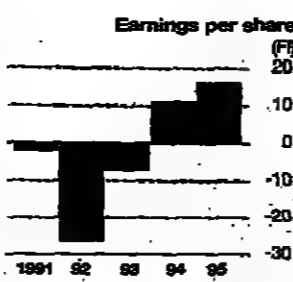
Operating profits in steel and

## COMPANY PROFILE: Hoogovens

Market capitalisation	Fl 2.1bn
Main listing	Amsterdam
Historic P/E	5.79
Gross yield	3.08%
Earnings per share (1995 estimate)	Fl 16.82
Current share price	Fl 60



steel-related sectors surged from Fl 456m to a record Fl 720m in 1995. Aluminium



operating results swung from a loss of Fl 35m in 1994 to a profit of Fl 140m.

## Poland may have to drop bank consolidation plan

By Christopher Bobinski in Warsaw

The Polish government could be forced to abandon a controversial plan to hand treasury-owned stock in listed private banks to state-sector institutions as part of a bank consolidation programme, a senior financial official has admitted.

The admission comes after a parliamentary subcommittee working on enabling legislation for the programme decided this week to exclude all but banks which are 100 per cent treasury-owned from the scheme.

This has been greeted with relief by the Krakow-based Bank Przemyslow Handlowy (BPH), which was privatised a year ago. The state treasury retained a 46 per cent stake, which the government said last December would be handed to the state-owned Bank Handlowy as part of the consolidation plan.

The plan envisaged the formation of two strong banking groups, headed by the Bank Handlowy and the PKO SA. These two were to take over several smaller state sector banks and minority stakes in the Polish Development Bank (PBR) and the BPH.

The BPH's shareholders include ING of the Netherlands and the European Bank for Reconstruction and Development. Both made little secret that they were unhappy at the proposal.

This week's decision, which is expected to be approved by parliament as whole, immediately accelerated the upward movement of BPH's stock on the Warsaw Stock Exchange. It also means that the treasury-owned stake could be offered to an outside strategic investor. "We have had an offer," a senior financial official said yesterday, though he declined to disclose details.

The price of BPH stock yesterday reached 124.5 zlotys, rising by 9.7 per cent, or near to the bourse's 10 per cent daily limit for a second day running.

The price represented a 52-week high and came as trading in BPH stock accounted for almost 20 per cent of the stock market's turnover.

The BPH price began to edge upwards at the end of last week in anticipation of the parliamentary decision and has risen by 23 per cent since last Monday.

The upward movement, which yesterday left the BPH on a price/earnings ratio of 5.1, reflects a conviction among foreign analysts that the Krakow bank is in similar shape to its nearest rival, Bank Slaski. This is currently trading on a multiple of 7.4.

However, uncertainty about the BPH's future had, until this week, held the bank's stock down in a market which has risen 54 per cent since the beginning of the year.

## Media triptych catches critics unawares

Andrew Jack on this week's link-up between Bertelsmann, Murdoch and Canal Plus

Chain-smoking cigars and pacing up and down excitedly in front of the bank of television screens in his modernistic Paris office yesterday morning, Mr Pierre Lescure, chairman of Canal Plus, looked delighted after the announcement of his company's involvement in one of the most significant European media deals.

By this autumn, the consortium of Canal Plus, Bertelsmann of Germany, Mr Rupert Murdoch's BSkyB and another French group, Havas, plans to launch a subscriber satellite television service for Europe's largest potential market, Germany. It is almost certain to expand into other countries in the coming years.

The intense negotiations of the last few weeks were not easy. "It was not a club of poets, as we say in French," says Mr Lescure, instead describing the three principal investors "a good triptych".

He is proud of the fact that so few people were aware of the deal in advance, with the announcement apparently catching unwary, sensitive, protectionist French politi-

cians, and media group Compagnie Luxembourgeoise de Télédiffusion, a board member of which yesterday described the deal as "a clear betrayal".

The news was unexpected, in part because CLT and Mr Murdoch had only last month agreed a protocol to work together. That decision triggered an uproar in France. Rival broadcasters and media organisations, film producers and even Mr Philippe Douste-Blazy, the culture minister, attacked what they saw as the threat to the European market.

Mr Lescure himself took a more moderate line, refusing to indulge in criticism of Mr Murdoch in the press, and instead praising the US-based Australian entrepreneur for his intelligence and business savvy.

He says that last year Mr Murdoch had decided not to encroach on the French market, after realising that Canal Plus had the rights for football and other sporting events tied up until the year 2000, and offered, instead, to sell rights to the French broadcaster.

Mr Murdoch's interest - like that of rival broadcasters, including Mr Lescure - was

apparently much more focused on Germany, which Mr Michel Thoulouze, managing director of Canal Plus, said will represent half of the European market by 2010.

Mr Murdoch, therefore, entered discussions with Bertelsmann on its home territory. Canal Plus was a logical partner, given that it had already developed a workable encryption technology which will be at the core of its own French satellite service to be launched at the end of next month.

In Germany, the same technology is to be used on the new satellite service, through MM9G, the digital decoder consortium in which Canal Plus holds an 8.5 per cent stake.

The urgency of developing an operation was driven home on Monday, when Mr Leo Kirch, the German media operator who holds a 25 per cent stake in the country's Premiere pay TV service, formally ruled out taking up his 9 per cent option in MM9G. He plans to use a rival encryption technique. Mr Thoulouze, in turn,

does not rule out launching a rival service before the end of this year.

A deal with BSkyB was attractive for Canal Plus and Bertelsmann as a way of staying off a third satellite operation in Germany or elsewhere in Europe by Mr Murdoch in conjunction with CLT - an alliance which now seems to be in tatters.

This week's deal was also attractive for Mr Murdoch because of the prospects of buying a quarter stake in Premiere from Bertelsmann and Canal Plus, which currently hold 37.5 per cent each. It seems clear that this is still the intention in the medium term, although Mr Leo Kirch appears to want to block the arrangement.

Under the original deal thrashed out between the three partners in the last few weeks, each would have held a one-third stake in the joint venture. But Havas, the French media group, also wanted a piece of the action after being informed of the alliance last week. It has long-standing links with Bertelsmann, and is also a shareholder in Canal

Plus. Its difficulty is that it also has an investment CLT, forcing it to choose between two rival alliances.

The final version of the agreement, which runs to just five pages, gives Havas what Mr Thoulouze describes as an "arbitrator's role", with a 10 per cent stake and its voting rights held by Canal Plus. The rest of the shares are equally divided between Bertelsmann, Canal Plus and Murdoch.

There is also no blocking veto - something partly reflecting the three partners' frustration with Mr Kirch's use of his abstention powers in Premiere in the past.

Mr Marc André Feffer, vice-president of Canal Plus, says the new satellite service is likely to offer at least 30 channels, to compete with the 28 currently available on German cable television. He estimates costs for the consortium - excluding the technology - over the next five years at DM500m (\$338m); after that it should be profitable. By 2005, he predicts the service will have between 5m and 8m customers. See Lex.

## Asturiana shares tumble

By William Cochrane

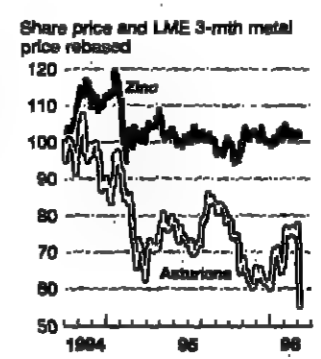
The stock market career of Asturiana de Zinc, the Spanish miner and metal refiner, has always been volatile. It proved so again this week after the company revealed it might have to provide Pta11.95bn (\$96m) for losses on a large position in zinc futures.

Asturiana's shares dropped on Monday by the maximum permitted under bourse rules, ending at Pta1,055, down Pta185, or 14.9 per cent. On Tuesday they lost another Pta154, or 14.6 per cent, to Pta901.

While the group may post a potential loss of Pta12bn, the company's equity market capitalisation had plunged by Pta15.5bn, or 27 per cent, to Pta88bn in just two days. The provision represented 42 per cent of end-1995 shareholders' equity.

This was only the latest trial for shareholders. They began to suffer soon after Corporación Banesto, the Spanish industrial holding offshoot of the troubled Banco Español de Crédito, sold 28 per cent of

## Asturiana de Zinc



Asturiana, Europe's largest zinc producer, to a group of financial institutions for Pta10.8bn in mid-December 1994.

The shares had hit Pta1,700 just before that Banesto said it was prepared to sell at Pta1,600 a share. It settled for Pta1,515 and kept 43 per cent of the equity, which slumped to Pta1,000 by the end of March last year after three-month zinc dropped by a fifth on the London Metal Exchange in January and February.

Shareholders hoped the zinc price would recover. It did not. Asturiana's share price stayed extremely volatile through 1995 as these hopes waxed and waned. Incredibly, the stock mounted a new, ill-fated offensive in January and February of this year after it was dropped from the Ibox list of the 35 top Spanish stocks on January 2.

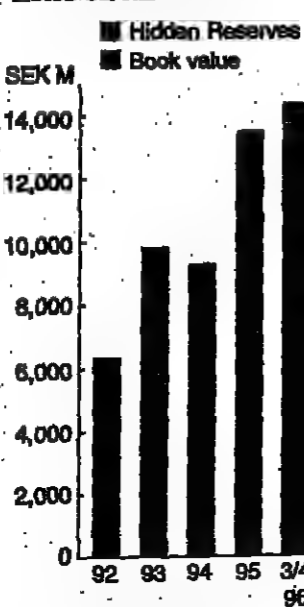
Banesto held on to 43 per cent of the Asturiana equity. With outside shareholders, it might be believed that the company - which chose Palm Springs, California, as a venue to announce its withdrawal from zinc options trading on February 26 - confirmed on Wednesday evening it had sold the offending zinc futures position to Glencore last December.

Ironically, there is hope for zinc. Overnight on Wednesday in New York, Pasmenco, the world's biggest zinc producer, said that Asturiana's position might have been acting as a lid on price increases - explaining why the commodity price had not moved, in spite of a significant fall in LME stocks.

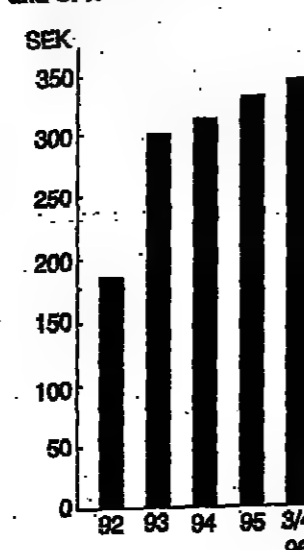
## INDUSTRIVÄRDEN

## Continued Earnings Improvement

## Market Value and Hidden Reserves in the Portfolio of Listed Stocks



## Net Worth Per Share and CPN



• Consolidated earnings after financial items amounted to SEK 1,765 M (1,517).

• Earnings, after financial items, but before gains on sales of stocks and nonrecurring items, totaled SEK 484 M (1994: SEK 775 M, including SEK 382 M from PLM), which is in line with the forecast.

• The value of the portfolio of listed stocks on December 31, 1995, was SEK 13,775 M (9,487), of which SEK 1,839 M pertained to PLM. Adjusted for purchases, sales and PLM, the value of the portfolio increased by 20 per cent (-7) compared with the beginning of the year. The General Index rose by 18 percent (5).

• The value of the portfolio of listed stocks on March 4, 1996, was SEK 14,675 M. Adjusted for purchases and sales, the increase compared with year-end 1995 was 6 percent, compared with 10 percent for the General Index.

• Net worth at year-end was calculated at SEK 333 (314) per share and CPN. Net worth on March 4, 1996, was calculated at SEK 348 per share and CPN.

• The Board of Directors proposes that the dividend be increased by SEK 1 to SEK 11 per share. The interest per CPN would thus amount to SEK 12.65. In addition, as an extra dividend for 1995, one subscription right for stock in PLM was issued for each share or CPN held. The average value of one subscription right was SEK 11.90 in connection with PLM's stockmarket introduction.

AB INDUSTRIVÄRDEN (PUBL.)

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## Zeneca: the year's performance

## 1995 Financial Highlights

	1994	1995	Change
Sales	£4,480m	£4,898m	+9%
Research and Development	£518m	£549m	+6%
Profit before Exceptional Items	£763m	£878m	+15%
Pre-tax Profit	£659m	£619m	-6%
Earnings per Ordinary Share*	55.2p	62.0p	+12%
Dividend per Ordinary Share	28.5p	31.0p	+9%
Return on Sales*	17.8%	18.3%	
Gearing	0.3%	0.5%	

\*Before Exceptional Items

David Barnes, Chief Executive of Zeneca, said:

"1995 was another year of strong growth for Zeneca with results at the top end of market expectations. With the new products in Pharmaceuticals and Agrochemicals, and the clear strategic decisions we have taken in respect of Seeds and Specialties, Zeneca has a strong platform for ongoing growth in 1996 and beyond."

ZENECA  
BRINGING IDEAS TO LIFE

The 1995 Annual Report will be mailed to shareholders on 25 March. Non-shareholders may obtain copies by writing to The Secretary, Zeneca Group PLC, 15 Stanhope Gate, London W1Y 6LN.

## SANDOZ AND CIBA JOIN FORCES

■ EMPLOYMENT - By Frances Williams in Geneva

## Basle braces itself for big job cuts

News of the merger between the two Basle chemical giants came as a bolt from the blue for the city's people. Yesterday, they were doing their best to come to terms with the potential loss of thousands of jobs.

One in five of the 132,000-strong Basle workforce is employed in the chemicals and pharmaceuticals sector, which is dominated by Ciba, Sandoz and Roche.

Unemployment in the city is close to the Swiss average at about 4.6 per cent.

The merger is expected to lead to the loss of about 13,000 jobs - or 10 per cent of the combined workforce - over the next three years, with Basle, site of both headquarters, likely to be worst hit.

Mr Mathias Feldegg, the city's economy chief, appealed to Ciba and Sandoz to act responsibly towards the workers "who had made them prosperous".

He nevertheless saw the

merger and redundancies as unstoppable.

Mr Feldegg said it was difficult to predict the long-term consequences of the latest merger, though in the short term there would be costs. He drew a parallel with the successful merger of Ciba and Geigy in 1970, which had at the time prompted similar fears.

Employees at Ciba and Sandoz were surprisingly philosophical yesterday, calling the merger "good for the future of the enterprise", despite the threat to jobs. Many workers had heard the news first on the radio that morning.

"A merger was probably inevitable," said one worker, adding: "It's better than merging with an American company." Another commented: "It's fantastic for those who will stay on, and good for Basle." His colleagues were not all so enthusiastic.

Mr Hans Schappi, of the

industry and building trade union, which represents blue-collar workers at the companies, said yesterday he feared a large number of job losses because of the synergies between the two groups in the region.

He called on the new company to avoid redundancies and to continue a dialogue with the unions on the issue, adding that he hoped Ciba's more enlightened personnel policy would prevail over Sandoz's.

Analysts said yesterday that one motive for the merger was to slash high costs in Switzerland. "Financially, it's a merger made in heaven. A large part of the companies' costs are in Switzerland, so these can be taken out," said Peter McDougall, of Barclays de Zoete Wedd.

However, some analysts said job cuts in Switzerland would be expensive and could lead to higher initial costs for restructuring.

## Where Novartis appears in the field

## Global market share

Glaxo Wellcome

Novartis

Hoechst Marion Roussel

Merck

Bristol Myers Squibb

American Home Products

Johnson &amp; Johnson

Pfizer

Roche

SmithKline Beecham

Novartis

Novartis

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J.P. Morgan's men (left to right): Klaus Diederichs, co-head of M&A Europe, Terry Eccles, head of the financial institutions group, and Rod Pescok, co-head of M&A Europe

Glass-Steagall Act of 1933, as a result of which the company was broken up into a securities business - which became Morgan Stanley - and a commercial banking arm.

J.P. Morgan returned to investment banking in the 1980s, as application of the act was relaxed, and has devoted particular attention to Europe. It had the benefit of a banking presence in Europe going back 180 years and the freedom there to pursue securities business forbidden to it in the US.

It has taken time to overcome the commercial banking legacy. When J.P. Morgan began to offer advice on acquisitions in 1986, its investment bankers had to channel communications with clients through the sometimes unsympathetic commercial bankers who managed relationships.

And, in the US at least, it is still widely thought of as a commercial bank. But as one executive says: "In Europe we don't have that baggage." Mr Rod Pescok, co-head of M&A Europe, says the bank has transcended its origins. "It's so long in the past that we were simply a commercial bank that I've stopped thinking in those terms," he says.

While seeking to retain its team-playing ethic, the bank is embracing the investment banking culture. But competitors say the firm has lost its reputation for "white shoes" civility. One rival involved with J.P. Morgan bankers in a recent deal says: "They behaved like streetfighters."

J.P. Morgan's bankers quietly relish their new pushy image. "We are trying to play catch-up. We had to go out and be more aggressive. If we didn't do something about perceptions, we would be lagging

three years behind reality rather than 18 months," says one.

Competitors still question that reality. Mr Jacques Alain, head of J.P. Morgan's pharmaceuticals practice in Europe, and Mr Eccles, command widespread respect. "But," one rival says, "I'm not sure whether two industries and two bankers a global investment bank makes."

The US group rejects that contention with a list of deals in other sectors. But opponents also say its relative weakness in equities makes it more of a "mergers and acquisitions boutique" than an investment bank able to provide the full range of services.

J.P. Morgan lags well behind Goldman Sachs, Morgan Stanley and Merrill Lynch in lead managing privatisation issues and other equity offerings.

However, the bank led Europe's largest high-tech flotation last year, the \$469m stock market sale of MEMC, the subsidiary of Veba. And, while it inclines against an acquisition of a European securities operation, it is adding to its 200 equities staff in the region at a rate of 30 per cent a year.

"Expansion of equities is my number one priority," says Mr Walter Gubert, head of Europe. "People have seen what we have achieved in mergers and acquisitions. And now we will show them what we can achieve in equities. It's inevitable."

Meanwhile, the company's like-for-like sales rose by 6 per cent and its operating profits by 49 per cent.

By business, the strongest performance came from the agricultural division, where operating profits advanced by 33 per cent to SF969m, in Swiss francs. This rise had been "fuelled by the extraordinary performance of Progam", the flea treatment for cats and dogs.

In healthcare, operating profits were up by 12 per cent to SF1.9bn. However, the industry division reported a 10 per cent decline in operating profits, to SF834m.

The additives, pigments, polymers, composites and Mettler Toledo divisions had all "delivered positive results", the company said. But textile dyes and chemicals "continued to be challenged by difficult market conditions".

Meanwhile, Sandoz, which spun off its chemicals business on July 1 last year, reported an 11 per cent increase in operating profits, excluding net gains from the divestiture of Clariant, its chemicals side.

The group's consolidated sales, including chemicals until June 30, fell by 4 per cent to SF16.2bn. But on continuing businesses, sales were up by 4 per cent in Swiss francs, to SF14.1bn, and 14 per cent in local currency.

On a consolidated basis, operating profits in the pharmaceuticals division increased by 12 per cent to SF1.76bn. Sales of Neoral and Sandimmun had increased by 10 per cent in local currencies, the company said, while Lamisil rose by 22 per cent, and Lepox/Clozid by 19 per cent.

In nutrition, operating profits rose by 60 per cent, to SF445m, helped by the acquisition in mid-1994 of Gerber, the infant nutrition producer.

However, in the agriculture and building division, operating profits fell by 16.2 per cent to SF506m.

In local currencies, seeds sales grew by 2 per cent, driven by demand for vegetable and flower seed in Europe. The agrobusiness lifted sales by 9 per cent, thanks to strong sales growth for the herbicide Frontier and the fungicide Alto. The building chemicals business, MBT, raised sales by 4 per cent.

Income of SF460m on the divestiture of Clariant was offset by restructuring charges of SF310m in the second half.

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■ SPECIALITY SPIN-OFF - By Jenny Luesby

## Tough logic of 'Clariant Mk2'

Ciba's specialty chemicals business, which Novartis plans to spin-off, is so similar to the chemicals company Clariant, divested by Sandoz last year, that analysts yesterday dubbed it "Clariant Mk2".

"There are going to be two very similar companies, facing the same issues, both sitting in Basle," said Mr Peter Mackey, European chemicals analyst at Kleinwort Benson. "It's bound to raise questions about industrial logic."

It is as a result of timing that the two companies will be separate entities. Sandoz divested Clariant on July 1. It started talking to Ciba about a merger in December.

But the reasons for getting rid of Ciba's industrial chemicals may be even more compelling than those which saw Sandoz spin off Clariant, say some analysts, who yesterday described the results for Ciba's industrial division as "very disappointing".

Two of its businesses, textile dyes and chemicals, have been struggling for some time.

Textile dye producers in India and other low-cost countries in Asia have anyway moved into a position of market dominance, as Asian textile producers capture markets previously held by Europeans.

On the chemicals side, Ciba supplies the paper and leather industries, as well as textiles,

all of which are in difficulties. It also makes whiteners and brighteners for detergents, a fiercely cost competitive market. But yesterday's figures suggest that some of the stronger businesses in the division, such as additives, pigments and polymers, are also suffering from the European slowdown. As a whole, Ciba's industrial division reported a 10 per cent fall in operating profits last year, to SF784m (\$1.03bn), on sales down 8 per cent to SF7.9bn.

Four-fifths of this division will go into the new specialty chemicals business, with Mettler Toledo, the weighing equipment producer, and Ciba's composites business set to be excluded.

Mettler Toledo, with sales of SF1.01bn last year, is to be launched as a stand-alone public company within the next three months, Ciba said yesterday. Meanwhile, the composites business, with turnover of SF381m, was last week transferred to Hexcel, of the US, in return for 49.4 per cent of Hexcel's common stock, and undisclosed cash payments.

The remaining five businesses, textile dyes, chemicals, additives, pigments and polymers, had combined sales of SF6.5bn last year, and analysts yesterday estimated the new company's worth as exactly equivalent to sales,

■ ROLE OF THE BANKS - By Nicholas Denton

## US groups pull off European coup

J.P. Morgan and Morgan Stanley - advisers to Ciba and Sandoz, respectively, on their merger - have carried the battle for dominance of global investment banking right to the gates of the European house.

In some European countries such as Italy, Spain and Sweden, US investment banks have made inroads because they faced weak domestic opposition. But in Switzerland the situation was different.

The three large Swiss bank groups - Swiss Bank Corporation, CS Holding and Union Bank of Switzerland - have put significant resources into investment banking, in part to service the increasingly complex financial needs of their domestic clients. Moreover, they had every opportunity to influence the two pharmaceuticals companies' choice of advisers.

SBC's headquarters in Basle is a few minutes from those of Ciba and Sandoz. And a web of board links ties together the banks and the large Swiss pharmaceutical companies. For instance, Mr Alex Krauer, Ciba chairman, sits on SBC's board of directors.

Even if there were conflicts of interest which prevented the Swiss banks competing, the unfolding under their noses of Europe's biggest merger is galling.

European competitors concede the deal is a coup for the US banks. "The two pharmaceuticals companies are very

conscious that relying on US investment banks is a revolutionary step," says one banker associated with the deal.

Involvement in the merger is particularly significant for J.P. Morgan at a time when it is mounting a push in Europe and challenging Goldman Sachs, Morgan Stanley and Merrill Lynch for dominance in global investment banking.

In mergers and acquisitions in Europe, J.P. Morgan has broken through. In recent months it advised TSB Group on its deal with Lloyds Bank, which created the biggest UK retail bank. Mr Roberto Mendoza, vice-chairman of the bank, coordinated the highly-regarded, if ultimately unsuccessful, defence of Fortis from Grand-Sole's hostile bid. The bank also advised on the acquisition by Hoechst, the German chemical company, of Marion Merrell Dow of the US.

In 1995, J.P. Morgan advised on \$40.5bn worth of acquisitions in Europe, second only to Morgan Stanley, according to IFR Securities Data. With the Ciba deal and others J.P. Morgan says it is working on, that level will be surpassed in 1996.

"Success, unless you blow it, tends to lead to success," says Mr Terry Eccles, head of the bank's financial institutions group. With J.P. Morgan's new prominence in investment banking, history has turned full circle.

It was the premier deal-maker in the US until the

■ HOW THE COMPANIES GEL - By Motoko Rich

## Meeting of two equals creates a tax-free fit

The elegance of the Novartis merger is in its simplicity: it has global implications without the cross-border complications.

The main benefit of a merger between two companies based in the same country is that the deal between them is tax free. Both companies will be absorbed into a new legal entity, which will be listed on the Swiss Stock Exchange.

As a merger of equals, the deal has many advantages. Because the transaction has been structured as a share issue, it allows two companies of comparable size to combine without an outlay of cash that an acquisition would entail.

In addition, there will be no goodwill to write off, leaving the merged company's balance sheet virtually intact. The deal is unlike Glaxo's acquisition of Wellcome last year, which entailed more than \$5bn (\$7.6bn) in goodwill being written off by Glaxo.

Shareholders in Ciba, which has 22.1m shares in issue, will receive 1/15 Novartis shares for each Ciba share, while shareholders in Sandoz, which has 38.9m shares in issue, will receive one Novartis share for each Sandoz share.

Following the transaction, Ciba shareholders will hold 45 per cent of the new company, while Sandoz holders will hold 55 per cent.

Prior to the merger announcement, Ciba had a market value of SF33.5bn (\$37.4bn) against Sandoz's capitalisation of SF14.5bn. Based

on these values, Ciba would represent 43 per cent of the combined market value, while Sandoz would represent 57 per cent.

According to advisers to both companies, however, Ciba shareholders will hold a slightly higher proportion of the combined company because it is believed Ciba is under-rated due to its specialty chemical holdings.

Once the chemical businesses are spun off, it is believed Ciba would warrant a higher rating, justifying the increased representation in Novartis.

When the specialty chemicals businesses - most of which are held by Ciba - are spun off and floated on the stock exchange, Novartis shareholders will receive shares in the demerged company in proportion to their Novartis holdings.

It is expected that the chemicals company, which is expected to float within the next 12 months, will be valued at about SF6.5bn.

Both companies will pay their own dividends for 1995. The first joint dividend payment will be made in about April next year for the financial results of 1996.

Pro-forma 1995 sales in the new company were SF36bn. Taking into account the demerger of the chemicals business and Sandoz's construction chemicals businesses, pro-forma sales were SF28bn. Pro-forma operating income was SF15.8bn.

The new group expects to make annual savings of about SF1.8bn after three years. Half of those savings will be realised within 18 months.

"The savings will be cumulative," said Mr Raymond Brun, who will be chief financial officer of Novartis.

Mr Brun said that restructuring and redundancy costs, which will affect the merged group's 1996 results, will be of the order of SF2bn. The group expects to reduce its workforce by about 10 per cent.

Novartis plans to set up a fund to help those who lose their jobs in the rationalisation to find new jobs. Mr Brun said: "This fund is designed for people to use for job training or to finance start-up companies if they want to found them. We will use the fund like a venture capital fund. The costs associated with the fund will be included in the restructuring charge."

About 90 per cent of the shares in both companies are registered shares (for which the shareholders' names are held in a central register within the companies) and 10 per cent are bearer shares (for which the shareholders are not required to disclose their identities).

Neither class of shareholder will be able to exchange shares for the other class.

Both companies have granted each other the right to buy 270,000 shares in treasury for the other.

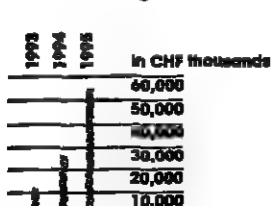
It is understood this a symbolic transaction.

Going public in spring 1996

## Forging ahead in fast-growing markets

The semiconductor market is forecast to double or even triple in size to about USD 300 billion over the next five years. Micronas is active exclusively in mixed signal ICs; in 1994 this segment accounted for 17% of the semiconductor sector and is growing even faster than the market - at 20% p.a. in the past five years. With its products, Micronas is very well represented in the fast-growing telecommunications business, in particular mobile phones. But it is also well positioned in other key sectors such as the automotive industry, consumer goods and industrial applications.

Micronas sales growth



The Micronas Group: Founded in Winterthur in 1989. In 1995, it generated net profits of CHF 2.7 million (up 56%) on sales of CHF 54 million (up 102%) with 400 employees at four sites in Finland, Switzerland, Scotland and Germany.

You'll find further information on the Micronas Group in our 1995 Annual Report. You can order a copy by calling +41 1 263 70 74. Email: J. Wirtzschel & Co AG or Internet

Micronas Semiconductor Holding AG  
World Trade Center  
Leutschenbachstrasse 95, CH-8050 Zurich

MICRONAS

هكذا من الأجرى

# In the fight against disease, this could be the most powerful weapon yet.



It's not magic. But it may yet work miracles.

This is the trademark of a completely different kind of pharmaceutical venture.

The recently-merged Pharmacia & Upjohn.

It's a partnership that has created a company of quite remarkable depth and scope: over 30,000 people working in 50 countries and serving 200 million people around the world.

And it's for those 200 million people that this announcement should come as very good news.

Because the merger will give two pools of specialised medical talent the opportunity to work together for the first time ever.

Resulting in real, tangible benefits in the fight

against cancer, AIDS, infectious diseases and many other medical conditions.

This merger is not simply a matter of shared resources, however.

It is also about shared ideals.

Our trademark stands as a symbol for humanity, hope and inspiration.

Values that we intend to apply to every single aspect of the way we do business.

You are surprised to hear such sentiments coming from a global pharmaceutical company?

This is not the last time we'll be surprising you.

You can be sure of that.



**Pharmacia  
& Upjohn**

RESULTS

Strong  
profits  
growth  
reported

## INTERNATIONAL COMPANIES AND FINANCE

## ASIA-PACIFIC NEWS DIGEST

## Forex gains boost Korean Air Lines

Korean Air Lines, the South Korean carrier, reported a 187 per cent jump in net profits to Won106.9bn (\$136m) for 1995, mainly because of foreign exchange gains of Won89.5bn. Sales rose 11 per cent to Won3,280bn. Earnings were also helped by an sharp increase in overseas travel by Koreans, with the operating profit rising 7 per cent to Won291.8bn.

The results, which were better than expected, make Korean Air one of the most profitable airlines in the world. However, some analysts warned that future profitability for the carrier largely depended on currency movements. Although overseas travel by Koreans is expected to continue increasing because of the buoyant economy, Korean Air faces cost pressures with its plans to spend Won1,000bn by 2005 to modernise its fleet by purchasing 150 new aircraft.

John Burton, Seoul

## McDonald's surges in Japan

The changing tastes of Japanese youth and a sustained campaign of price-cutting helped McDonald's Co (Japan) to another year of record profits in 1995. Recurring profits, before extraordinary items and tax, rose 53.9 per cent to ¥18.9bn (\$178m), on sales 17.4 per cent higher at ¥283.4bn, to give the third successive year of record sales and profits.

Twenty-five years after the first McDonald's was opened in Japan, the proliferation of outlets has hardly proved sufficient to keep pace with demand, and despite sluggish economic conditions and depressed consumer spending in the past few years, the company has forged ahead.

Gerard Baker, Tokyo

## Housing downturn hits Boral

Boral, the Australian energy and building materials group, yesterday announced a 10.5 per cent fall in first-half profits to A\$169.7m (US\$129.2m) after tax. Sales in the six months to end-December fell 5.2 per cent to A\$2.42bn. The result included an abnormal surplus of A\$31.2m and a sharply reduced tax charge of A\$36.6m, against A\$94.2m. Before tax and abnormal, Boral showed a much larger 38 per cent fall in profits, from A\$288.1m to A\$178.5m.

The company blamed the poor figures on the "severity and intensity of the housing downturn in Australia and Europe". It said the December 1994 half-year had been the peak of the building cycle, making the comparisons particularly adverse. However, it noted that its recently expanded energy group, plus the benefits of acquisitions and rationalisation in the US-based operations had partially offset the "harsh domestic building and construction industry climate". The interim dividend is held at 10.5 cents a share.

Nicki Tait, Sydney

## Mixed performance at Amcor

Amcor, the Australian paper and packaging group, yesterday posted a 9 per cent improvement in profits after tax to A\$213.5m (US\$162.7m) in the half-year to end-December. Group sales rose from A\$3.16bn to A\$3.23bn, with fully-diluted earnings per share rising to 34 cents, compared with 32.1 cents a year ago.

Amcor said its various business units had achieved mixed results. The paper operations had generally fared well, and pre-tax profits rose from A\$153.8m to A\$173.2m. But the packaging side performed below expectations, with the Australian business encountering slowing demand, a competitive market and rapidly-rising raw material costs. Pre-tax profits from this division stood at A\$192.6m, compared with A\$186.4m last time.

Amcor said the slowdown in profits growth had continued into the first few months of 1996, and added that it did not foresee demand improving in the immediate future. It warned that "in view of the decline in prices in many of the key fibre-based segments of the business and overall pressure on volumes", it would be difficult to keep profits in January to June 1996 at the level of those in the same period last year. Its shares slipped 16 cents to A\$8.19 on the news.

Nicki Tait

## New Japanese equities fund

A new investment trust concentrating on Japanese equities will focus on the country's service and leisure industries, which should grow as Japan's traditional manufacturing industries decline.

Mr Ed Merner, a leading figure among foreign fund managers in the Japanese stock market, said yesterday that he expected manufacturing to gradually fall from 27 per cent of Japan's GDP to a level more in line with the US and Germany, of between 17 and 21 per cent. He will run the fund for Atlantis Investment Management, a London-based investment boutique which he joined last month.

Antonio Sharpe

## Hongkong Electric rises despite slowing demand

By Louise Lucas in Hong Kong

Hongkong Electric Holdings, which owns the monopoly supplier of electricity to Hong Kong Island, yesterday reported an 8.8 per cent rise in net profit from HK\$3.85bn to HK\$4.19bn (US\$542m) in the year to end-December 1995, in line with market forecasts.

However, the trend of decelerating growth in sales - already witnessed by China Light and Power, which supplies the more densely populated and factory-studded Kowloon peninsula

and New Territories - sparked some concerns.

Electricity unit sales at Hongkong Electric grew just 1.5 per cent - a figure which, as SBC Warburg points out, is much lower than the company's long-term forecast of 5 to 7 per cent growth a year from 1994 to 1998. The company itself attributed the modest growth to a "cool and wet summer", adding that the slowing economy also took its toll.

Maximum demand was likewise depressed, registering a marginal year-on-year drop of 0.7 per cent from

2,021 MW for 1994 to 2,006 MW last year.

Mr George Magnus, chairman, said the weather effect was a temporary one and that the rash of new buildings coming on stream in the colony's expanding business districts would ensure the long-term growth projections were met.

Failure to meet the projections, which are submitted to government, could impact on capital expenditure plans from 1999 onwards. Slowing demand has already prompted CLP to delay a number of its projects.

But yesterday's results statement said further substantial generating capacity would be needed in the next century, and that the company had handed the government its capacity expansion plans and proposals for a number of site options. Once government approval is secured, the first generating unit would be commissioned in 2003. The project will require "very substantial ongoing investment", said Mr Magnus.

Mr Andrew Hail, head of research at Kleinwort Benson in Hong Kong, conceded that growth rates in the

maturing Hong Kong economy were not as great as they had been, but believed they were still attractive.

Hongkong Electric's profit this year was helped by a HK\$460m gain from the sale of the last seven blocks of South Horizons, a mass-residential venture jointly developed with Cheung Kong and Hutchison Whampoa, fellow companies in the Li Ka-shing stable.

Earnings per share rose from HK\$1.90 to HK\$2.07 and a final dividend of 70 cents is proposed for a HK\$1.11 total, against HK\$1 last time.

## Ashanti determined to run its own show

The Ghanaian group is aiming to become the leading goldminer in Africa, writes Kenneth Gooding

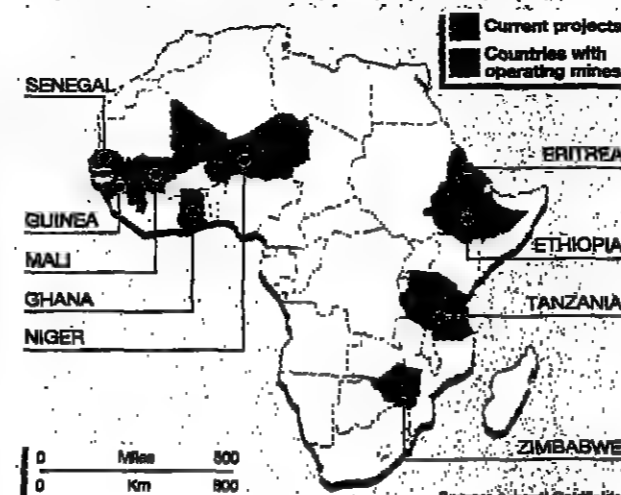
Rumours have been swirling around Ashanti Goldfields of Ghana. Some analysts suggest Anglo American Corporation of South Africa is on the prowl, looking for a substantial shareholding in a company poised for growth on Anglo's doorstep in Africa.

Questions are also being asked about the future of Mr Sam Jonah, Ashanti's chief executive, who in the past few years has driven the company into the world's small and exclusive club of 100-ounce a year producers.

This speculation seems to stem from the recent announcement by Lonrho, the UK-based conglomerate, that it aims to demerge its mining interests, which include a 37 per cent of Ashanti, the biggest single shareholding. At the same time, Mr Dieter Bock, Lonrho's chief executive, indicated he would devote little time to the mining business after the demerger. "I am not a miner," he said.

Some observers suggest Mr Bock might be persuaded to sell Lonrho's Ashanti stake. Potentially interested parties include Barrick Gold of Canada, Gencor of South Africa and RTZ-CRA, the Anglo-Australian group. But Ashanti has particular attractions for Anglo, which wants to expand in Africa for strategic reasons. Closer links with Ashanti might also help Anglo solve some of the management problems in its gold division.

## Golden opportunities



offers for hits of [our] mining business."

Where does this leave Mr Jonah? He leaves no room for doubt. "Ashanti has been my life since I left school in 1969. It put me through university. My commitment is to Ashanti. All my hopes and dreams flow from this company."

He points out that Ashanti's annual gold output has increased at a compound rate of 15 per cent for the past 10 years, and earnings by 20 per cent. The response to Ashanti's recent fund raising, particularly last week's £176m (£368m) convertible, when \$1bn was offered by world-be investors, shows "our shareholders have an appetite for growth".

Mr Jonah insists there is no reason Ashanti should not emulate the performance of Barrick Gold, which in 10 years - from scratch - became the

biggest gold producer outside South Africa. "We have a better start than Barrick had. In future there will be a handful of international mining companies operating world-wide and Ashanti will be one of them. We will be the leading player in Africa."

Mr Jonah has drawn together a management team that has a clear strategy for achieving these objectives. The strategy has three elements.

First, Ashanti will nurture Obuasi, the 100-year-old Ghana mining complex that until recently was providing all its gold production. The company will spend \$140m a year for the next 24 years to ensure that Obuasi can continue producing at the 1m ounce a year rate far into the future.

Second, Ashanti intends to

build a portfolio of mining and exploration projects throughout Africa. African countries already have been queuing up to encourage Ashanti's heavy involvement in developing their gold mining industries.

Mr Jonah says there is tremendous goodwill towards Ashanti because it is an indigenous African company, but the interest in having his company involved springs from a growing recognition of its tremendous technical expertise both in mining - nearly every type of mining method is employed at Obuasi, including bacterial leaching of ore - and in financial engineering.

The third element in the strategy is the acquisition of interests in African projects or companies operating in Africa where Ashanti's range of skills, not only technical but also in such areas as procurement (it is among the world's biggest buyers of mining consumables such as cyanide, explosives, fuels and mechanical equipment) and hedging can quickly find synergies.

For example, after the recent \$88m acquisition of Cluff Resources, the UK-based company with African operations, Cluff's production was immediately added to Ashanti's minimum of \$415 an ounce instead of being sold at spot prices.

There are few Cluffs available, but Ashanti is looking for projects at an early stage where it can take control and be operator. In future, says Mr Jonah, Ashanti will not have to concentrate all its efforts on one mine in one country. "Now every time we have a dollar to spend we have tremendous flexibility to get the maximum shareholder value."

Mr Jonah's move has worried many investors that Telecom Asia (TA), another private fixed line company, will introduce a similar capital-raising scheme to finance the extra 600,000 lines it was awarded last year. But TA's cash needs were not as urgent, Mr Fineman said, noting that in addition to holding a 9 per cent of United Communications which it can unload to raise cash, TA has a net debt to equity ratio of 42 per cent compared with TT&T's 73 per cent.

However, TA is branching out into other areas such as cable television and satellite operations, as well as potential investments in India. These could push the capital needs higher, analysts said.

## Goodman Fielder registers 5.2% gain in first half

By Nicki Tait in Sydney

Goodman Fielder, Australia's biggest food manufacturer which has been the subject of significant boardroom and managerial changes recently, yesterday reported a 5.2 per cent improvement in profits for the first half to end-December, to A\$82.9m (US\$64.2m) after tax but before abnormal.

Profits for the same period a year ago were A\$80.3m. After

abnormal, the net profit in the latest half was A\$46.9m, against A\$20.3m a year ago. The main abnormal item this time was a A\$7m provision relating to Goodman's new snack food venture in Indonesia after a "lower-than-expected performance" in its first year of operation.

Sales for the group overall rose by 5.6 per cent, to A\$2.08bn, while earnings per share (before abnormal) edged

higher to 4.4 cents from 4.3 cents. There will be an interim dividend of 2.5 cents a share. The company said the result was achieved after a sharp rise in raw material costs - notably wheat.

Despite this, the milling and baking unit held profits at A\$42.6m, while the European businesses boosted their contribution from A\$12.2m to A\$24.8m. The Merrow Lea oils and margarine division also

improved to A\$22.1m from A\$18.9m. Ingredients, however, slipped from A\$19.1m to A\$16.3m, while the poultry business slipped to A\$8.2m from A\$9m.

Mr David Hearn, Goodman's new managing director, said the company had struck a new agreement with Bunge, the South American group, over the companies' respective milling and baking operations in Australia. The original deal,

which would have seen these pooled into a joint venture controlled by Goodman, was blocked by Australia's competition authorities. Mr Hearn said the new agreement had been approved by the competition watchdog, but he declined to describe its structure until due diligence has been completed. Looking ahead, Goodman said it expected the second half to be tougher, and full-year profits were likely to be flat.

This announcement appears as a matter of record only

March 1996

BANCA ROMANA DE COMERT  
EXTERIOR S.A  
(BANCOREX)US\$ 50,000,000  
Medium Term Promissory Note Issue

## Providers

Creditanstalt-Bankverein

Banco Italo-Romana

Bank Austria AG

Bank Austria Handelsbank AG

Dresdner Forfaitierungs AG

WGZ-Bank Westdeutsche Genossenschafts-Zentralbank eG

Bank für Kärnten und Steiermark AG

March 1996



arranged, underwrote and placed this facility

## JOHNNIC

JOHNNIE INDUSTRIAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa - Reg. No. 01/00429/06)

Highlights from the Interim Results  
for the six months ended 31 December 1995SUSTAINABLE EARNINGS INCREASE 46%  
NET ASSET VALUE PER SHARE UP 38%

	Six months ended 31.12.95 Reviewed Rm	Pro-forma Six months ended 31.12.94 Unaudited Rm	Twelve months ended 30.6.95 Audited Rm
Profit before taxation and non-trading	34.4	35.4	94.5
Attributable earnings after non-trading items	31.7	182.9	248.1
Share of retained earnings of associated companies	115.7	92.8	109.9
Equity accounted earnings	147.4	215.7	358.0
Earnings per share (cents)			
- Sustainable earnings	99	68	203
- After non-trading items	98	145	240

Capitalisation shares have been awarded to shareholders registered at the close of business on 22 March 1996. Shareholders may, in respect of all or part of their shareholding, elect instead to receive an interim dividend of 18 cents per share. Shareholders making this election will then be given the opportunity to use the dividend to subscribe for new ordinary shares in the company.

Documentation, which is subject to the approval of The Johannesburg Stock Exchange, containing full details of the right of election will be posted to shareholders on 29 March 1996.

8 March 1996

The full interim report will be posted to shareholders and copies can be obtained from the London Secretaries, JCI (London) Limited, 6 St James's Place, London SW1A 1NP.

## COMMERCIAL UNION PRIVILEGE PORTFOLIO SICAV

Registered Office:  
Galerie Ross, 4th floor, 26, place de la Gare  
L-1616 LUXEMBOURG  
R.C. Luxembourg 820446

## NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders of COMMERCIAL UNION PRIVILEGE PORTFOLIO SICAV will be held at its registered office, 26, place de la Gare, L-1616 Luxembourg, Grand-Duchy on Tuesday 2nd April 1996 at 15:00 C.E.T. for the purpose of considering and voting on the following matters:

- To receive and adopt the Directors' Report and the report of the Auditors for the year ended 31 December 1995;
- To receive and adopt the Statement of Net Assets, Statement of Operations and Statement of Changes in Net Assets and in Issued Shares for the year ended 31 December 1995;
- Discharge of the Directors and of the Auditors;
- To re-appoint the existing Directors and to authorise the Directors to fix the Auditors' remuneration;
- To re-appoint Cooper & Lybrand S.C. as auditors.

Voting  
The Resolutions may be passed without a quorum, by a simple majority of the votes cast thereon at the meeting.

Voting arrangements  
In order to vote at the meeting, the holders of bearer shares must deposit their shares not later than 29 March 1996 either at the registered office of the Fund, or with any bank or financial institution acceptable to the Fund, and the relative deposit receipts (which may be obtained from the registered office of the Fund) must be forwarded to the registered office of the Fund to arrive on or before 29 March 1996. The shares so deposited will remain blocked until the day following the meeting or any adjournment thereof.

The holders of registered shares need not deposit their certificates but can be present in person or represented by a duly appointed proxy.

Shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the registered office to arrive not later than 29 March 1996.

Proxy forms will be sent to the registered shareholders with a copy of this Notice and can be obtained from the registered office.

The Board of Directors

## Halifax Building Society

US\$ 500,000,000

Floating rate notes 1999

Notice is hereby given that the notes will bear interest at 5.29297% per annum from 8 March 1996 to 10 June 1996. Interest payable on 10 June 1996 will amount to US\$13.82 per US\$100,000 note, US\$138.21 per US\$1,000,000 note and US\$1,382.05 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan



The Kingdom of Denmark

US\$1,000,000,000

Floating rate notes 1997

The notes will bear interest at 5.16797% per annum from 8 March 1996 to 10 June 1996. Interest payable on 10 June 1996 will amount to US\$12.49 per US\$1,000,000 note, US\$124.94 per US\$10,000,000 note, and US\$1,249.41 per US\$100,000,000 note.

Agent: Morgan Guaranty Trust Company

## INTERNATIONAL COMPANIES AND FINANCE

## Trizec plans to build up its overseas operations

By Bernard Simon in Ottawa

Trizec, one of North America's biggest property developers, plans to expand overseas, combining its own expertise with contacts built up by other companies controlled by Mr Peter Munk, the Canadian entrepreneur.

Mr Greg Wilkins, who was named chief executive yesterday, said that Trizec would seek both acquisitions and new projects, probably in partnership with institutional investors as well as local interests.

The Toronto-based company, which has interests in 70 office towers, shopping malls and other properties in North America, aims to garner between 20 per cent and 25 per cent of its cash flow from international operations over the next three years. The focus will be on central Europe, south-east Asia and Latin America.

Mr Wilkins, who has worked for Mr Munk since the early 1980s, replaces Mr Bill L'Hoteux, a merchant banker who joined Trizec before a financial restructuring in mid-1994.

Trizec was previously controlled by Toronto's Brontman family. The restructuring left Horsham, Mr Munk's investment holding company, with a 48 per cent stake. Mr Gerald O'Connor, a New York financier, is the next biggest shareholder with 26 per cent.

Mr L'Hoteux will spearhead Trizec's international drive. According to Mr Wilkins, the



Peter Munk, whose Horsham group owns 48 per cent of Trizec

decision to expand overseas was prompted partly by limited opportunities in the US and Canada.

"We have this great development skill in Trizec and it doesn't get used in North America," he said. However, he added that new offshore projects would require higher returns than Trizec's existing properties "to compensate for the risk".

Trizec hopes to benefit from the wide international contacts established by Barrick Gold, the gold producer which is also controlled by Horsham. Mr Munk has attracted a number of well-known people to the Horsham and Barrick boards,

including Mr Karl-Otto Pöhl, ex-Bundesbank president, and Mr Brian Mulroney, former Canadian prime minister.

Horsham earlier dipped its toes into the international property market by developing a large industrial and commercial park on the outskirts of Berlin. The project was initially a disappointment but has bloomed in recent years.

In partnership with Warner Brothers, the US entertainment group, Horsham is currently seeking approval to build an entertainment and restaurant complex on the site. Horsham is expected to fold the German subsidiary into Trizec at some point.

## AMERICAS NEWS DIGEST

## Mexico approves Kimberly link-up

Mexico's Federal Competition Commission has approved a planned merger between Kimberly Clark de Mexico and Crisoba, an affiliate of Scott Paper of the US, but it has ordered the sale of many brands and paper plants to safeguard competition in Mexico's consumer paper products industry.

The planned link-up is a result of the proposed merger between Kimberly Clark Corp and Scott Paper in the US, in which Kimberly Clark de Mexico (KCM) will indirectly acquire part of its smaller rival Crisoba.

The Mexican companies are fierce competitors in the market for bathroom and facial tissues, paper napkins and feminine care products. KCM is also the market leader in baby diapers, notebooks and printing and business paper. Their merger would create the seventh-largest company on the Mexican stock exchange, with a combined capitalisation of about \$3bn.

The Federal Competition Commission said it had ordered Crisoba to sell its feminine care brands to reduce the combined market share of both companies from about 63 per cent to the 38.4 per cent currently held by KCM.

In the paper products sector, where both companies would control around 80 per cent of the market, the Federal Competition Commission has ordered the sale of KCM's Regio toilet paper brand, which has an 18 per cent market share, and Crisoba's Scotties and Suave brands, as well as the divestiture by the two firms of 80,000 tonnes a year of tissue paper production capacity.

KCM yesterday accepted the competition watchdog's merger conditions. Mr Sergio Paliza, KCM's financial director, said both companies would still benefit from the merger despite the "very strict conditions" imposed by the government.

Leslie Crawford, Mexico City

## Dismal quarter for Kmart

Kmart, the struggling US discount store group, yesterday reported dismal quarterly results but predicted that it was on the brink of an upturn. "These results represent the bottoming out of Kmart's financial decline," said Mr Floyd Hall, who took over as chairman and chief executive last year. "We are confident that our 1995 actions, our new management team, and an intense customer focus will produce a return to profitability in 1996 and longer term."

Net losses of \$420m were reported for the fourth quarter to January compared with net profits of \$145m a year earlier. Net losses on continuing retail operations were \$369m against losses of \$18m a year earlier. Full-year net losses were \$571m against profits of \$286m the year before.

Richard Tomkins, New York

## New York SE ahead

The strength of the securities markets last year helped the New York Stock Exchange report net income for the year up from \$44m to \$66.7m, on revenues ahead from \$452m to \$607m. Average daily volume of shares traded rose from 291m shares in 1994 to 348m shares. Fourth-quarter net income rose from \$14m to \$13.5m with average daily shares traded up from 301m to 370m.

The Securities Industry Association said the industry's net income totalled \$7.4bn in 1995, still below the \$8.6bn record achieved in 1993, a banner year for the markets. But in terms of return on equity 1995 ranked fourth for the industry, which earned a better return in 1991 and 1992 as well as 1993.

Strong secondary markets led to \$17.5bn in trading profits for the industry in 1995, close to the 1993 level. But a slow first half for underwriting acted as a brake on total profits. Maggie Urry, New York

## CIBC up 37% in first quarter

Canadian Imperial Bank of Commerce, the country's second-biggest bank, said better credit quality and strong investment banking revenues sparked a 37 per cent jump in first-quarter profits. Earnings soared to C\$1.58 a share in the three months ended January 31, up from C\$1.03 last year and much higher than the C\$1.26 estimated by industry analysts.

Raefer, Toronto

## Sadia turns in record result

By Jonathan Wheatley in São Paulo

Sadia, Brazil's biggest meat packing and processing company and a leading soy producer, announced record profits for 1995 after a strong recovery in the fourth quarter, traditionally a peak season for the industry.

Net profits rose from R\$68.3m in 1994 to R\$107.5m (US\$109.8m) on turnover of R\$2.82bn - down from R\$2.88bn in 1994. Return on shareholders' equity was 13.6 per cent against 9.9 per cent in 1994. Dividends per 1,000 shares were R\$49.84, up from R\$32.36. However, comparing figures for the two years is complicated by Brazil's accounting rules and 1994's change of currency.

Over 70 per cent of profits resulted from strong fourth-quarter sales in the run-up to

the end-of-year holidays. "This is not at all atypical for the company or the industry," said Mr Arlindo Almeida, director of market relations.

Mr Almeida said profits were helped by gains in productivity. Operating costs were 7 per cent lower than in 1994.

"We spent R\$7m on training last year we are already seeing a return on the investment," he said, noting that productivity was increased without job cuts. Sadia also spent R\$23m on automation and other productivity improvements.

Margins in 1995 averaged 4.3 per cent, up from 2.7 per cent in 1994. Mr Almeida said the increase in profitability was largely due to better sales of processed products with higher added value. Processed goods accounted for 38 per cent of turnover in 1995, up from 33 per cent.

Sales of foods and other low-cost goods have benefited more than those of higher-cost items following the end of high inflation with the introduction of Brazil's new currency, the Real. Sales suffered in the middle of last year, however, when the government acted to contain a consumer spending spree that threatened to overheat the economy.

"Average consumption was higher last year than in 1994," Mr Almeida said, "and consumers spent more on better quality products, which is where Sadia has an advantage over its competitors."

The one black spot was exports, which fell from \$67m in 1994 to \$37, their lowest level since 1991. This mirrors export performance across the economy which was hurt by the strength of the Real against the US dollar.

## Death of US chemicals dynasty looks imminent

Even by the standards of corporate America, the apparent demise of W.R. Grace has been astonishing. Only a year ago Grace, a world leader in specialty chemicals and health care, was a family firm ruled by the founder's grandson. Now, its 142-year history as an independent company seems over.

The immediate evidence is this week's news of a bid approach from a smaller US rival, Hercules. The approach has been rebuffed, but Wall Street is convinced that a bid is coming, from Hercules or others. Grace's stock price stood yesterday at \$90, up 17 per cent on the week and twice the level of a year ago.

The company's remarkable soap opera began last March, with the sudden resignation of the company's chief executive,

Mr J.P. Bolduc. The news disturbed Grace's big shareholders. Mr Bolduc, an outsider with two years in the top job, had been credited with slimming down the company's highly diverse portfolio of businesses.

Within days, matters turned ugly. It emerged that the chairman, 81-year old Mr Peter Grace, had apparently failed to report generous payments from the company for such expenses as a private nurse, a cook and a Manhattan apartment. It also emerged that Mr Bolduc had been accused of sexually harassing employees.

By late April, Mr Grace was dead - three weeks before the shareholders' meeting to confirm his enforced resignation - and his elderly friends had been cleared from the board. There was then a brisk tussle

over who should succeed him. A leading candidate was Mr Constantine Hampers, founder and head of Grace's National Medical Care (NMC) subsidiary, the biggest US provider of kidney dialysis. But the job went to an outsider, Mr Albert Costello, former chairman of American Cyanamid.

Mr Hampers promptly bid \$3.5bn to take NMC private. The new Grace board rejected this, and instead announced NMC would be spun off free to shareholders.

This plan also ran into trouble, not helped by news that NMC was being investigated by the US authorities for alleged over-charging.

Last month, the healthcare group Baxter International bid \$3.8bn for NMC. Grace immedi-

ately produced a new proposal: NMC would be merged with a rival kidney dialysis company, Fresenius of Germany, with Grace to receive \$2.3bn cash and a 45 per cent stake in the merged company.

Baxter bowed out, and the Fresenius deal went ahead. This left the rest of business - one of the world's biggest suppliers of specialty chemicals - on the block.

On Monday, Hercules announced it had made an unspecified offer for the chemicals business, and that Grace had refused it.

This raised some ethical questions. Hercules' highly regarded chairman, Mr Tom Gossage, had been invited on to the Grace board by Mr Costello 8 months ago. On Monday, Mr Gossage duly resigned from Grace, thus freeing him-

self to pursue a hostile bid (Hercules will not comment on its plans).

What happens next is open to speculation. A bidder for the chemicals business would have to decide what to do with the 45 per cent stake in the Fresenius healthcare merger. The chemicals business itself could be further broken up.

Perhaps the chief moral of the story is one of old men clinging to power. When Mr Grace died, he had been running the company for 47 years. Company founders, or their descendants, all too often remain to the bitter end, believing that only they can guarantee the survival of the business. More often than not, they doom it to extinction.

Tony Jackson

Golden Hope Plantations Berhad  
(Incorporated in Malaysia)

Directors:  
Tun Ismail bin Mohamed Ali (Chairman)  
Zaini Azahari bin Zainal Abidin  
Mohammad bin Abdullah  
Howe Yoon Chong  
Dr Ng Chong Kin  
Maznah binti Abdul Hamid  
Abdul Rahman bin Ramli  
Megat Dzulnaddin bin Megat Mahamud

Registered Office:  
13th Floor  
Menara PNB  
201-A, Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia

To the Members,

## INTERIM REPORT FOR THE SIX MONTHS ENDED 31ST DECEMBER, 1995

The Directors announce that the unaudited results for the six months ended 31st December, 1995 were:

	Group		Company	
	6 months ended	6 months ended	6 months ended	6 months ended
	RM'000	RM'000	RM'000	RM'000
Turnover	560,218	487,215	15	107,717
Investment and other income	22,297	6,918	222	32,905
Operating profit	153,462	126,638	21	48,906
Associated companies	5,103	1,045	388	-
Profit before taxation (See Note 1)	158,565	127,683	24	48,906
Taxation (See Note 2)	46,628	34,508	(351)	12,655
Profit after taxation but before extraordinary items	111,937	93,175	20	36,851
Minority interests	4,310	4,887	12	-
Profit attributable to shareholders	107,627	88,288	22	36,851
Extraordinary items (See Note 3)	5,520	3,810	45	246
Profit attributable to shareholders	113,147	92,098	23	37,097

## NOTES

- After changing:
  - interest: 1,608, 1,042, 504, 274
  - depreciation: 17,275, 17,985, 2,330, 2,699
- Taxation includes:
  - current: 47,854, 35,175, 12,085, 3,800
  - deferred: (595), (734), -
  - associated companies: 169, 67, -
- The extraordinary items comprise:
  - Gains on compulsory land acquisition: 5,520, 2,880, 346, -
  - Surplus on disposal of investments: -
- There were no pre-acquisition profits included in the results for the half year.

	Group		Company	
	6 months ended	6 months ended	6 months ended	6 months ended
	31.12.95	31.12.94	31.12.95	31.12.94
Profit after taxation but before extraordinary items as a percentage of turnover	19.2%	21.2%	-	-
Profit after taxation and minority interests but before extraordinary items as a percentage of shareholders' funds	3.6%	3.8%	-	-
Net earnings per share (in sen)	10.7	8.8	-	-
Net tangible asset backing per share	RM2.95	RM2.33	-	-

\* The net earnings per share and net tangible asset backing per share are calculated based on the share capital of 1,002,240,499 (1994: 1,001,242,499) shares in issue.

The increase in profit is mainly attributable to higher prices of palm products and rubber although generally crop production is lower. Higher investment income and profit from property operations also contributed to the improved profit of the Group. Plantation profit for second half of the year is expected to be lower with the decline in palm prices. Manufacturing, property and overseas activities are however, expected to perform better than the first half and these will compensate the decrease in plantation profit. Group profit for the year is expected to be about the same level as the last financial year.

## HARVESTED CROPS - TONNES

	Group		Company	
	6 months ended	6 months ended	6 months ended	6 months ended
	31.12.95	31.12.94	31.12.95	31.12.94
FFB	684,392	689,534	-	-
Palm oil	128,842	134,085	-	-
Palm kernel	39,035	40,518	-	-
Rubber	16,817	17,449	-	-
Cocoa	2,053	2,070	-	-
Copra	2,034	1,958	-	-

## DIVIDEND

An interim dividend of 5 sen less income tax at 30% has been declared in respect of the financial year ending 30th June, 1996, payable on Friday, 26th April, 1996. Duly completed transfers received by the Company's Registrars up to 5.00 p.m. on Thursday, 4th April, 1996 will be registered to determine shareholders' entitlement to the Dividend.

## COPIES OF THE COMPANY'S INTERIM REPORT

A copy of the Company's Interim Report will be posted to shareholders on 12th March, 1996. Copies will also be available from the Company's registered office and the Branch Registrars, Barclays Registrars, Bourne House, 34, Beckenham Road, Kent BR3 4TU, United Kingdom.

KUALA LUMPUR,  
7th March, 1996

By Order of The Board  
Norlin binti Abdul Samad  
Secretary

## FIDELITY DISCOVERY FUND

Société d'Investissement à Capital Variable  
Registered office: Kansallis House - Place de l'Etoile  
L-1021 Luxembourg  
R.C. No B 22250

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of Shareholders of Fidelity Discovery Fund (the "Fund") will be held at the registered office of the Fund in Luxembourg on Friday, March 15, 1996 at 4.00 pm to consider the following agenda:

- To resolve on the liquidation of Fidelity Discovery Fund.
- To appoint Fidelity Investments (Luxembourg) SA as the liquidator.
- To fix the date of the second shareholders meeting to hear the report of the liquidator and to appoint Coopers and Lybrand as the auditors of the Fund.
- To fix the date of the third meeting of shareholders to hear the report of the auditor and to decide the close of the liquidation of the Fund.

Since the net assets of the Fund have decreased below two thirds of the equivalent of 50,000,000 Luxembourg francs, no quorum is required for the meeting and the resolutions will be passed with the consent of a simple majority of the shares represented at the meeting.

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

BY ORDER OF THE BOARD OF DIRECTORS

February 16, 1996

Fidelity Investments

This notice is issued in compliance with the requirements of the London Stock Exchange Listing Rules (the "Listing Rules"). It does not constitute an invitation to any person to subscribe for or purchase any securities. Applications for shares should be made to the ordinary shares capital of Lambert Smith Hampton Group plc (the "Company") by the 15th March 1996. The Company's registered office is at 26-28 Beakwall Lane, London, EC2A 3TH. The Company's registered office is at 26-28 Beakwall Lane, London, EC2A 3TH.

Having taken the views of the Company's directors into account, the Company's directors have decided to issue new ordinary shares of 10p each at 95p per share.

Acquisition of Lambert Smith Hampton Group Limited by the issue of a new ordinary share of 10p each at 95p per share.

Placing of 3,157,895 New Ordinary Shares of 10p each at 95p per share.

Capital Reorganisation, Capital Reduction and other Proposals including Change of Company name to Lambert Smith Hampton plc.

## Lambert Smith Hampton plc

Sponsored by Brown, Shipley & Co. Limited

SHARE CAPITAL INCREASE FOLLOWING THE COMPLETION OF THE ACQUISITION

IN NEW ORDINARY SHARES OF 10p EACH

Number of Shares Amount

25,000,000 £2,500,000

3,157,895 £315,789.50

28,157,895 £2,815,789.50

The Company provides property related consultancy services.

Options of the Listing Particulars published on 7 March 1996 may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted), up to and including 1 April 1996, from the Company's Administrative Office at the London Stock Exchange, London Stock Exchange Tower, 25, Abchurch Lane, London, EC4N 3DF, or by collecting only and up to and including 1 April 1996, from the Company's registered office at 26-28 Beakwall Lane, London, EC2A 3TH, and from:

Brown, Shipley & Co. Limited, 15, Abchurch Lane, London, EC4N 3DF, and from:

Barclays Bank, 1, Queen Victoria Street, London, EC4N 3TF, and from:

18 March 1996

This document has been approved by Brown, Shipley & Co. Limited, a member of The Securities and Futures Authority Limited.



£500,000,000

Floating Rate Notes 1999

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 6th March, 1996 to 6th June, 1996, the Notes will bear interest at the rate of 6.125 per cent, per annum.

Compon No. 9 will therefore be payable on 6th June, 1996, at £1,339.62 per coupon from Notes of £100,000 nominal and £153.96 per coupon from Notes of £10,000 nominal.

S.G. Warburg &amp; Co. Ltd.

Agent Bank

Authorised  
Number Amount  
55,500,000 £2,775,000

Issued and fully paid  
Number Amount  
39,872,058 £1,993,603

ordinary shares of 5p each

Copies of the Prospectus may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted), from 8th March, 1996 up to and including 25th March, 1996 from the company announcements office of the London Stock Exchange Limited, London Stock Exchange, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP (by collection only) and from 8th March, 1996 up to and including 25th March, 1996 from the company's registered office and from N M Rothschild & Sons, Limited, New Court, St Swithins Lane, London EC4P 4DU.

8th March, 1996

Irish Permanent  
Treasury plc

£500,000,000  
Guaranteed floating rate  
notes 1997

The notes will bear interest at the rate of 6.225 per annum for the interest period 6 March 1996 to 6 June 1996. Interest payable on 6 June 1996 will be £156.48 per £10,000 note and £1,564.75 per £100,000 note.

Agent: Morgan Guaranty  
Trust Company

JPMorgan

## COMPANY NEWS: UK

## Wessex Water bid for SWW tied to charges

By Peggy Hollinger and George Parker

The water industry regulator is expected to demand cuts in charges of more than 15 per cent as the price of allowing Wessex Water to proceed with its proposed bid for neighbouring South West Water.

While most water company shares soared on the news of the proposed bid, prompting hopes of a flurry of takeovers in the sector, Wessex lost 30p to close at 334p, partly due to the view that the regulator would impose tough conditions on a takeover.

South West, which yesterday described Wessex's intentions as "unsolicited and unwelcome", saw its shares leap 70p to 609p, valuing the group at £790m.

The Office of Water Services last year demanded a 15 per cent price reduction over six years for allowing the merger of the relatively small North East Water and Northumbrian Water last year. It said yesterday the first merger among the big 10 water and waste companies might result in deeper cuts.

The market speculated that Ofwat could demand cuts of up



Nicholas Hood, Wessex chairman, is looking for cost savings

to 20 per cent.

Wessex said yesterday it expected considerable cost savings as a result of merging the two companies. However, the price it paid, which would be at a premium to Tuesday's close of 508p and either wholly or largely in cash, would depend on the reductions

demanded by the regulator and the approval of the Monopolies and Mergers Commission.

Under current regulation all water company bids must be examined by the MMC. Analysts speculated that Wessex would have to pay between 600p and 650p to win South West Water.

## National Lottery restrains Ladbroke

By David Blackwell

A combination of the National Lottery and scratch cards knocked back betting profits at Ladbroke, the hotels and gaming company that has been the subject of bid rumours for several months.

Mr Peter George, chief executive, admitted the group had been vulnerable after a tough year, but dismissed the recent talk of bids. "We are not aware of anyone out there."

Rumoured bidders include Bass and Hilton Corporation, the US hotels group. Ladbroke, which owns the Hilton name outside the US, has been seeking further co-operation with the US group.

The profits fall was flagged last November, when the group warned that profits before exceptional items would be "somewhat lower" than the previous year's £128.5m. Yesterday it reported pre-exceptional profits of £121.3m on unchanged sales of £3.75bn.

Operating profits in the betting and gaming division, fell from £97.7m to £58.1m on sales of £2.67bn (£2.69bn). In contrast, the Hilton International hotels division improved profits from £128.8m to £150.2m on sales of £987.1m (£985.3m).

Last month, Mr Stephen Boltenbach moved from Disney to become chief executive of Hilton in the US, replacing Mr Barron Hilton, son of the late Conrad Hilton. Mr George said Mr Boltenbach shared the Ladbroke view that the two had

"more to gain by working together than by working apart." But he would need some time before definite proposals emerged.

Profits before tax after £25.9m of exceptional losses rose 22 per cent to £300m.

## Acquisition needed to give group a presence in global market F&amp;C in talks for fund manager

By Norma Cohen

Foreign & Colonial, the UK's largest independent investment trust manager, yesterday said it was in talks to acquire ESN Pension Management Group in a deal which would create one of the UK's largest fund managers.

If the deal is completed, F&C would acquire a badly needed significant presence in the UK pension fund market, a sector in which it has made negligible headway. F&C has 278 employees and £12.3bn under management, of which about £1.5bn is that of UK pension funds.

ESN is the in-house manager of the £14.4bn in assets of the now privatised electricity industry which put itself up for

sale last autumn. It has 99 employees and manages 23 separate pension funds for about 162,000 members, making it the UK's third largest pension scheme.

As part of the deal to sell ESN, trustees to each of those schemes have signed an agreement not to withdraw their funds from ESN before March 1998.

While other leading UK fund managers have suffered from over-reliance on a single product, a single market - that is, UK pension funds - F&C draws 32 per cent of its assets from clients based abroad. It has by far the largest share of the UK investment trust market and is the UK's largest manager of emerging markets funds.

It has benefited from its relationship with its 50 per cent shareholder, Bayerische Hypothek- und Wechselbank (Hypo Bank) which has acted as a distributor for F&C's retail products in Germany. Some 35 per cent of F&C's assets are those of Hypo Bank clients.

However, its aspirations to have a genuine global presence have been hampered by its inability to break into the institutional market in its home country. The drive for critical mass in the fund management industry is fuelling merger and acquisition activity, much of it from non-domestic buyers in the UK.

Since announcing it was seeking a buyer, ESN has had

offers from 18 organisations, four of which were viewed as serious: it is understood that US-based Invesco, and two German-owned fund management companies, Kleinwort Benson Investment Management and Jupiter Tyndall had also been contenders for the purchase.

Final terms of the deal have yet to be agreed. However, it is expected to be below the 2 per cent of assets under management agreed in some recent fund management acquisitions. Also, payment is likely to be structured so that the final price is dependent on funds remaining under management following the expiry of the electricity pension schemes agreement to continue with ESN.

## RESULTS

Company	Turnover (£m)	Profit before (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends (p)	Total for year	Total for year
Adjo Wiggins	3,589 (2,915)	729 (217.14)	2.3 (17.9)	4.6	May 24	4.6	2.5	7.25
Chloris (I)	302 (45)	1,211 (8,820)	7.02 (4.1)	2.81	May 7	2.81	4.07	4.07
Coastal Trust	4 (1.24)	0.778 (0.25)	1.85 (1.28)	1.8	Apr 26	0.8	1.8	0.8
Coastal	6 miles to Dec 31	3.95 (2.32)	0.041 (0.061)	0.04 (0.07)	18	18	18	18
Cockburn	1,800 (1,567)	108.34 (51.14)	161 (2.5)	4.5	May 30	3.8	8	7
Corbion	70.5 (58.3)	4.54 (2.15)	15.5 (7.2)	15.5	15.5	15.5	15.5	15.5
Fairway S	57.8 (40.8)	2.93 (2.1)	5.8 (4.18)	2.56	15.5	2.4	3.85	3.8
Gilchrist	89.9 (109.9)	0.42 (0.42)	0.32 (0.71)	0.5	Apr 4	0.5	0.5	0.5
Globe & Bandy	27.4 (25)	1.09 (1.12)	9.7 (11.8)	2.1	May 10	1.8	3.5	3
Globe	3,305 (3,090)	322.44 (203.34)	53.97 (28.3)	15.25	May 17	13.8	24	21.6
Harlow Baker	5.3 (11.9)	1.34 (7.14)	0.43 (0.4)	7.88	7.88	7.88	7.88	7.88
Hillstream	3,432 (4,282)	11.14 (172.3)	6.6 (14.5)	7.3	July 1	7	9.5	9.2
IMI	1,322 (1,161)	87.24 (50.34)	18.4 (5)	6.9	May 20	6.1	11.5	10.9
IMI Control	32.3 (43.4)	2.12 (2.8)	3.88 (3.6)	1.5	May 3	1.5	3.5	3.5
IMI Ltd	12.4 (24.8)	1.42 (2.14)	9.9 (9.5)	1	1	1	1	1
IMI Ltd	3,446 (4,414)	18.44 (229.84)	5.14 (26.47)	3.6	June 3	3.6	3.6	3.6
IMI Ltd	55.1 (44.1)	8.1 (2.58)	3.1 (3)	0.45	July 1	0.4	0.85	0.4
IMI Ltd	87.3 (73.8)	15 (9.3)	29.9 (18.8)	10.6	May 13	10	14	12.2
IMI Ltd	10 (11)	5.05 (5.25)	3.72 (3.91)	3.2274	July 1	3.1451	3.1451	3.1451
IMI Ltd	38.4 (24.1)	1.48 (0.83)	3.32 (2.42)	1.25	May 24	0.4	2	0.6
IMI Ltd	1,131 (1,026)	32.94 (19.94)	10.4 (5.1)	9.82	June 3	8.82	14.33	14.33
IMI Ltd	35.7 (27.4)	8.18 (4.37)	10.87 (5.08)	2.88	Apr 22	2.22	5	5.41
IMI Ltd	3,997 (3,183)	175 (101)	10.29 (5.96)	9	July 1	9	9	9
IMI Ltd	5,153 (4,853)	1,151 (84.4)	27.5 (25.5)	27.5	Apr 22	18.5	31.5	31.5
IMI Ltd	516 (413)	8.23 (4.44)	20.09 (19.27)	2.67	May 1	2.3	3.3	4
IMI Ltd	144.8 (72.9)	114.7 (55.24)	14.3 (7.1)	11.35	July 1	10.25	17.25	16.75
IMI Ltd	14.8 (7.9)	0.74 (0.68)	25.1 (11.1)	2.1	11.1	11.1	11.1	11.1
IMI Ltd	12.5 (9.1)	0.58 (1.4)	2.1 (0.5)	1.75	May 7	1.75	31	28.5
IMI Ltd	4,609 (4,490)	619.6 (558.4)	36.8 (46.8)	18.75	May 7	18.75	31	28.5

Investment Trusts  
Group Div Capital - Yr to Dec 31 58.13 (33.59) 1.03 (0.049) 2.08 (0.12) 1.17  
Lloyds Bank - Yr to Dec 31 141.4 (17.7) 0.882 (0.870) 3.88 (3.55) 2.85  
Perpetual Japan - 6 miles to Jan 31 88.37 (67.03) 0.081 (0.124) 0.171 (0.42) 1.17

Shareholders shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. To increased capital. \*Companions for 15 months.

## Zeneca claims independence

Zeneca yesterday proclaimed its determination to remain independent as the drugs industry consolidated, by generating "double digit growth in earnings per share" over the next few years, writes Clive Cookson.

As Ciba and Sandoz got together to form Novartis, a huge new Swiss competitor, the pharmaceuticals and agrochemicals group announced a 15 per cent increase to £278m (£135bn) in 1995 profits before tax and exceptional charges.

The results were broadly in line with market expectations, but the shares rose 86p to £18.77p in response to renewed takeover speculation.

It also announced the sale of two businesses following a review of its specialty chemicals division.

Specialty inks will be bought by Sun Chemical of the US for \$62m (\$40m).

In addition, "discussions are well advanced with a number of parties" for the sale of the textile dyes business, according to Mr David Barnes, chief executive.

Zeneca continues to pursue cost savings through cutting its workforce: 550 jobs will be lost this year from a worldwide staff of 31,500.

Sales of all Zeneca's main pharmaceutical and agrochemical products grew in 1995. Its biggest seller, the heart drug Zestril, rose 12 per cent to £547m; cancer drugs were up 18 per cent to £630m; and sales of the Diprivan anaesthetic rose 22 per cent to £300m.

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## IMI FULL YEAR RESULTS



Building Products



Drinks Dispense



Fluid Power



Special Engineering

"I am encouraged by the advances during the year and look forward to further significant progress in 1996."

Sir Eric Pountain, Chairman

	1995	1994
Turnover	£1,322m	£1,161m
Profit before exceptional items	£105.8m	£85.3m
Profit before tax	£87.2m	£50.3m
Adjusted earnings per share	20.1p	16.4p
Earnings per share	16.4p	6.0p
Dividend per share	11.5p	10.5p
Gearing	2.6%	21.8%

- Profits and earnings increased by more than 20%.
- Dividend increased by 10%.
- A year of strategic change:
  - the Group's largest ever acquisition, Heimeier.
  - the merger of IMI's titanium activities with TIMET.
- Building Products maintained its excellent growth record.
- Fluid Power achieved substantial profit improvement.
- Drinks Dispense consolidated record advances of the previous year.

"Increased sales in each of our business areas contributed to a record turnover for the Group of £1,322 million in 1995. The Company's success in 1995 constitutes a solid foundation for continued growth in 1996."

Gary Allen, Chief Executive

IMI

IMI plc, PO Box 216, Birmingham B6 7BA. Telephone: 0121 356 4848

## BUSINESSES FOR SALE

GREEK EXPORTS S.A.  
(A subsidiary of ETBA S.A.)

## ANNOUNCEMENT

## OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER

## FOR THE PURCHASE OF THE TOTAL ASSETS OF

## A. LEKKAS &amp; BROS. TEXTILE CO. S.A. NOW UNDER SPECIAL LIQUIDATION

GREEK EXPORTS S.A., established in Athens at 1 Entasfotomou & Vex. Constantinos Street, in its capacity as special liquidator of A. LEKKAS & BROS. TEXTILE CO. S.A., (established in Athens at 39 Averoff Street, Perseus which has been placed under special liquidation within the framework of article 40a of Law 1812/94, supplemented by article 14 of Law 2700/99) as subsequently amended and complemented and as in force,

## ANNOUNCES

a public auction for the highest bidder with sealed, binding offers for the purchase of the assets of A. LEKKAS & BROS. TEXTILE CO. S.A., either as a whole or per each of the following four self-contained production units:

- A factory in the Agios Antonios Community of Kalamata (15 km. from the centre of the town of Kalamata) which includes a plot of land 81,200 sq. m. in area on which a building of 13,000 sq. m. has been erected and in which a cotton spinning, yarn spinning and dyeing plant have been installed with the necessary storage space.
- A factory in 10 Kalamata Street in Kalamata which includes a plot of land 10,973 sq. m. in area on which a building 13,000 sq. m. in area has been erected and in which a weaving and finishing plant for woven fabrics, a yarn-dyeing unit and a finishing plant for woven fabrics have been installed together with the necessary storage space. Included in the above production unit, besides the factory, are stocks of raw materials, finished goods, existing claims and three of the company's lorries described on page 19 of the Memorandum.
- A factory on 30 Averoff Street, New Ionia, (Attika) which includes a plot of land 2,360 sq. m. in area on which a multi-stored building 8,000 sq. m. in area has been erected and in which are installed a dyeing-finishing plant for yarns and fabrics and a yarn-dyeing unit. This factory also includes storage space for the storage, movement and wholesale selling of the company's fabrics, yarns, etc.
- A factory on 38 Averoff Street, New Ionia, (Attika) which includes a plot of land 6,009 sq. m. in area on which a building 8,000 sq. m. in area has been erected and in which are installed a finishing plant, a ready-made clothing plant, a yarn dyeing plant and the company's administrative offices and financial services.

## ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

In 1960, the brothers Athanasios, Ioannis and Fokios Lekkas, founded A. LEKKAS & BROS. O.E. which in 1970 became a restricted anonymous (S.A.) and which in 1972 absorbed G. LEKKAS & CO. O.E. In 1981 it merged with MESSEINA SPINNING S.A. to produce a new S.A., with the name A. LEKKAS & BROS. TEXTILE CO. S.A., with the capital of manufacturing and selling wearable natural, synthetic and artificial fibres in the stages of spinning, spinning, weaving, finishing, dyeing, embroidery and clothes manufacturing.

## TERMS OF THE ANNOUNCEMENT

- Interested parties are invited to examine the Confidential Offering Memorandum in order to obtain a sealed, binding offer to the Addressatory public assigned to the section, Mr. Andreas A. Boudoukas, 4 Garmos Street, tel: +30-1-380.16152 up to 12.00 hours on Monday, 1-4-1996. Offers must be submitted in person or by a legally authorized representative. Offers submitted beyond the specified time limit will not be accepted or considered.
- The offer will be opened before the above-mentioned address at 12.00 hours on Monday, 1-4-1996 with the liquidator in attendance. Persons having submitted offers within the time limit are also invited to attend.
- The sealed, binding offer must clearly state whether they refer to the total assets or to separate production units, the offered price and the number of payments (in cash or on credit, the number of instalments and when they are to fall due, the proposed rate of interest, etc.).
- On penalty of irreversibility, offers must be accompanied by a letter of guarantee from a bank legally operating in Greece, valid until their return to the bank, to the amount of:
  - 300 million drachmas for the entire assets
  - 100 million drachmas for the 1st production unit (Kalamata factory)
  - 70 million drachmas for the 2nd production unit (Kalamata factory)
  - 30 million drachmas for the 3rd production unit (30 Averoff St. factory, Perseus)
  - 30 million drachmas for the 4th production unit (38 Averoff St. factory, Perseus)
- In the event that the party to whom the assets for sale have been adjudicated fails to pay the obligations contained in the present announcement, then the amount of the guarantee shall be forfeited to the liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditors who on his part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank. Letters of guarantee accompanying offers shall be returned immediately after adjudication of the assets, with the exception of the letter of guarantee of the party to whom the assets have been adjudicated and to whom it shall be returned on signature of the final contract.
- Distribution guidelines: Amongst others, the following are to be considered as essential guidelines for evaluation of the offers by the liquidator:
  - The size of the amount offered
  - The self-liquidation of as many job positions as possible
  - The business plan and the investment programme of the buyer
  - The standing, business experience and reliability of the prospective buyer
- In order to guarantee the final settlement of the part for which credits have been advanced, as well as any other terms that may have been agreed upon, the buyer must accept clauses to this effect and provide guarantee (official or other security) which will assigned adherence to commitments.
- In the event that payment is to be in credit, the current value will be taken into account, and will be calculated at a fixed rate of interest for all offers, this being the rate in force at the time of submission of the offer, for interest-bearing Greek State bonds of year's duration.
- Offers must contain a commitment by the buyers to the effect that the Kalamata and Kalamata factories shall function for at least five (5) years from signature of the contract.
- The highest bidder is the one whose offer has been evaluated by the liquidator and judged by creditors, who represent at least 51% of the company's liabilities, as being the most satisfactory.
- The Company's assets and all the separate fixed and circulating assets that make them up, shall be transferred "as is and where is" and, more specifically, in their actual and legal condition and wherever they are on the date of signature of the final contract, regardless of whether the Company is operating or not.
- The liquidator, the Company under liquidation and its creditors representing more than 51% of its obligations are not liable for any legal or moral faults or any incomplete or inaccurate description of the assets for sale and rights in the Offering Memorandum or in any correspondence.
- Interested buyers must, on their own responsibility and due care, and by their own means and at their own expense, inspect the object of the sale and form their own judgment and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale.
- Offers must not contain terms upon which their bidders may depend or which may be vague with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale. The liquidator and the creditors have the right, at their incontestable discretion, to reject offers which contain terms and exceptions, regardless of whether they are higher than others, or ignore such terms and exceptions, in which case the offer remains binding as far as the rest of its content is concerned.
- The liquidator and the creditors have no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to the liquidator's proposal regarding the highest bidder. Also they are not responsible and have no obligation to participants in the auction in the event of a cancellation or revocation of the auction if its result is deemed unsatisfactory.
- Those participating in the auction and who have submitted offers do not acquire any entitlement, claim or demand, on the strength of the present announcement or their participation in the auction, against the liquidator or the creditors for any cause or reason.
- The costs of issuing the offer and of the assets for sale (VAT charges on the value of movable assets, stamp duties, notary, mortgage, and lawyers' fees, etc.) are to be borne by the buyer.
- Participation in the auction implies acceptance by the prospective buyer of all the above terms.
- The present announcement has been drafted in Greek and in English in translation. In any event, however, the Greek text will prevail.

For any further information and for the Confidential Offering Memorandum interested parties may apply to the head office of the liquidating company:

GREEK EXPORTS S.A., 1 Entasfotomou Street, 4th floor, Athens, Greece, tel: +30-1-726.8218, 726.8278, and fax: +30-1-726.8994.

# ROLLS-ROYCE

## Annual Results 1995

- Profit before tax £175m (1994: £101m)
- Profit before disposal gains £143m (1994: £98m)
- Net cash balances £314m (1994: £285m)
- Order book remains strong, at £6.2bn (1994: £5.9bn)
- Sales per employee up by 15%
- Dividend maintained at 5p per share

Sir Ralph Robins, Chairman, said:

"I have been encouraged by the company's performance in 1995. We have made significant progress in some of the most challenging markets in the world and at the same time improved our financial performance.

"Allison has been successfully integrated within the Rolls-Royce Aerospace Group and made an important contribution during the year.

"Rolls-Royce continues to strengthen its competitive position and is well-placed as a world-leading power systems company."

### Group Profit and Loss Account

For the year ended December 31	1995 £m	1994 £m
Turnover -continuing operations	3210	3163
-acquisitions	387	-
	<u>3597</u>	<u>3163</u>
Operating profit	155	97
Profit before taxation	175	101
Taxation	(31)	(20)
Minority interests	(2)	-
Profit attributable to shareholders	<u>142</u>	<u>81</u>
Dividends	(73)	(61)
Transferred to reserves	<u>69</u>	<u>20</u>
Earnings per ordinary share	10.25p	6.56p

### Group Balance Sheet & Cash Flow

Net cash balances	314	285
Equity shareholders' funds	1345	1242

On March 24, 1995 the Group acquired Allison Engine Company, Inc. and on March 29, 1995 acquired the 60% of Rolls-Royce & Partners Finance Limited which it did not already own. All business acquisitions have been accounted for using acquisition accounting.

Profit before taxation for 1995 included profit on sale of businesses and property of £32m (1994: £3m) and a contribution of £33m from acquisitions.

The earnings per ordinary share for 1994 have been restated in accordance with Statement of Standard Accounting Practice No. 3 to reflect the bonus element of the "placing and open offer" announced in March 1995.

The recommended final dividend is 3p, making a total of 5p for the year. The final dividend is payable on July 1, 1996 to shareholders on the register on April 30, 1996. The ex-dividend date is April 22, 1996.

Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT.

The comparative figures for the year to 31st December, 1994 have been abridged from the Group's accounts for that year, which have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. Details can be obtained from the above address.





Telecom Sciences Corporation Limited

Management buy out/buy in from  
Philips Electronics UK Limited

Equity structured, led and arranged by:



Murray Johnstone Private Equity Limited  
Glasgow

Debt facilities arranged and provided by:



NATWEST MARKETS

Advisers to Equity and Debt Providers:  
Dickson Minto WS • Ernst & Young • Garrett & Co.

Management advised by:  
Pinsent Curtis • Deloitte & Touche

Completed February 1996  
This appears as a matter of record only

Murray Johnstone Private Equity Limited  
(an appointed representative of Murray Johnstone Limited, Regulated by IMR.C)  
7 West Nile Street, Glasgow G1 2PX. Telephone: 0141 236 3131. Fax: 0141 248 5636.

## Tiny Rowland vows to go back into business

By David Wighton

Mr Tiny Rowland, the 78-year-old former chief executive of Lorrho, vowed yesterday to "start out all over again" after raising £91m from the sale of most of his shares in the international conglomerate.

"Don't think I'm going to retire. I've now got £450m in cash, I don't owe anyone a penny and I am going back into business."

He said he had been in touch with Sir Rocco Forte, who is raising money to buy former Forte hotels from Granada. But Sir Rocco's office said it was "as yet unaware of any offers of help from Mr Rowland".

Mr Rowland said he was examining other investment opportunities although some City bankers expressed doubts about his resources.

Analysts welcomed Mr Rowland's decision to sell, arguing that he had been a disruptive influence on Lorrho since being ousted from the board last year. There was speculation that it might clear the way for companies considering an offer for Lorrho's mining assets ahead of their planned demerger. Brokers believe several mining groups, including Anglo American of South Africa, are interested.

Lorrho confirmed that Mr Rowland had exercised his option to sell a near 6 per cent stake in the company to Mr Dieter Bock, the German financier who forced him off the board.

Mr Rowland said his decision to sell reflected his doubts about Lorrho's proposed merger of its platinum interests with Gencor's Impala Plat-

inum. He aired his criticisms at last week's annual meeting and was disappointed by the lack of support from small shareholders.

"It was a very good thing we started 34 years ago but in my opinion there is no sex left in Lorrho," he said yesterday. He will retain 5m shares.

It is understood that Mr Bock, who already has an 18.6 per cent stake, intends to retain the 6 per cent stake he is buying from Mr Rowland. Under the terms of a put and call option agreement Mr Bock could have required Mr Rowland to sell the stake from December 9 last year. It is understood that he waited for the shares to be put to him.

Mr Bock paid 200.36p each for the 45.5m shares against yesterday's price of 192½p, down ½p.

## US acquisition helps lift Rolls-Royce 73% to £175m

By Michael Skipper, Aerospace Correspondent

Rolls-Royce yesterday announced annual pre-tax profits up 73 per cent to £175m (£96.5m) but underlined the uncertain state of the aircraft industry's recovery by proposing an unchanged dividend for the year of 5p.

The UK aero engine and industrial power group has benefited from the recent upturn in aircraft buying, winning orders in 1995 from Singapore Airlines and this year from Malaysia Airlines and the International Lease Finance Corporation of the US.

Rolls-Royce said it took 30 per cent of world-wide commercial aircraft engine orders in 1995, its best performance. The Rolls-Royce order book stood at \$5.2bn at the end of 1995, com-

pared with \$3.9bn a year earlier. Further orders worth £1.4bn, including the Singapore, Malaysian and ILFC deals, are not included in the 1995 figure.

The Allison Engine Company of the US, which Rolls-Royce acquired in March last year, contributed £30m of profits.

The results for the year to December 31 were in line with expectations. The shares closed up 4½p at 215p. Analysts had expected the dividend to be unchanged. Rolls-Royce said its policy was for the dividend to be increased only when it was covered twice by earnings.

Sir Ralph Robins, chairman, said he believed the future of MTU, the German engine maker owned by Daimler-Benz Aerospace (Dasa), would best be secured by joining it with the BMW Rolls-Royce joint venture.

### LEX COMMENT

## UK water

Wessex Water has timed its bid for South West Water to perfection. With a chairman retiring, no chief executive, a finance director in the US and a string of public relations blunders to its name, SWW has been caught on the hop. Its shares have underperformed the sector by 22 per cent since 1994, so its shareholders may be easy to please. SWW could stretch to a 100p special dividend as a shareholder bribe. But it also has to address consumer interests. Since a chunk of merger synergies from any bid would be passed on to SWW consumers, who pay the highest water rates in the country, SWW management will be under pressure to secure a handsome agreed bid.

Wessex's shareholders have less to be happy about. It is one of the smaller water companies, and has an under-leveraged balance sheet which is not reflected in its share price. It looked like a potential bid target itself. Still, its management has a good record, and it is sticking to a business it understands. So long as the deal offers greater earnings enhancement than a share buy-back, shareholders should come round.

Clearly, the outcome of this bid-to-be will swing on the decisions of the Monopolies and Mergers Commission and the regulator. At least £30m a year of cost benefits should be achievable, and the regulator will want consumers to get a large bite of the pie. But if the regulator is too greedy, Wessex will walk away. And that would leave SWW vulnerable to a bidder from outside the water industry, which could avoid the MMC and keep any cost savings itself.

### DIGEST

## TeleWest secures funding

TeleWest, the UK's biggest cable group, yesterday announced it had secured a new £1.2bn borrowing facility to complete the construction of its network.

The group also ruled itself out of bidding for Videotron Holdings, the seventh largest operator, which was put up for sale last month by Videotron, its Canadian parent company. Mr Alan Michels, chief executive, said TeleWest would not be used as a "stalking horse" to help Videotron to extract a higher price from Bell Canada, in which Bell Canada holds a controlling interest, and which has a 37 per cent stake in Videotron Holdings and has a first option over the remainder. Mr Michels also denied any knowledge of recent speculation that it might be interested in acquiring Nynex, the second largest cable group.

His remarks came as TeleWest unveiled sharp increases in 1995 losses and revenues. Pre-tax losses soared to £114.7m (£10.8m) after interest charges of £24.4m (£1.8m).

Mr Michels forecast that TeleWest would become cash flow positive during 1996, joining General Cable and Videotron out of the 12 cable operators to achieve the feat.

TeleWest's latest bank facility will be a syndicated loan spread over 9.5 years. The group extended its network from 85 to 58 per cent of its 4.7m-home franchise areas during the year. Capital expenditure of £268m during the year took the group's total outlay to nearly £2bn.

Christopher Price

## Non-motor side helps GKN

Shares in GKN yesterday rose 51p to 878p after the motor components, defence equipment and industrial distribution group reported a 61 per cent increase in 1995 profits.

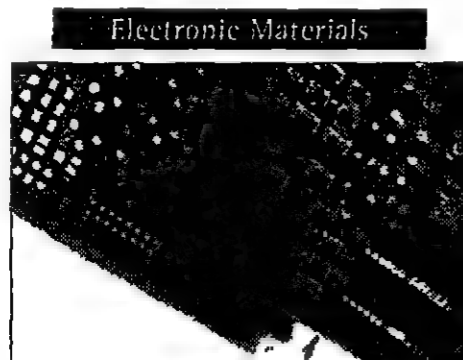
In spite of softening demand in the vehicle industry, strong gains by the group's aerospace and pallet hire businesses helped lift pre-tax profits from £200.3m to £292.4m (£496.5m).

Sir David Lees, chairman, said it was a creditable result given the sluggish state of the automotive sector. "US and European demand trailed off in the second half and some 70 per cent of our growth was in non-automotive areas."

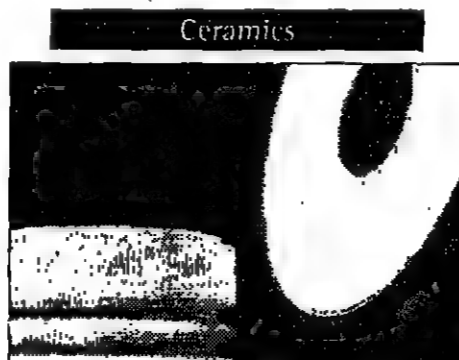
GKN predicted vehicle production in Britain would grow by no more than 2 per cent this year, and would not grow at all in North America.

The sharpest improvement was achieved in aerospace and special vehicles, where increased helicopter deliveries and accelerating armoured vehicle production for Kuwait helped more than double profits to £66m.

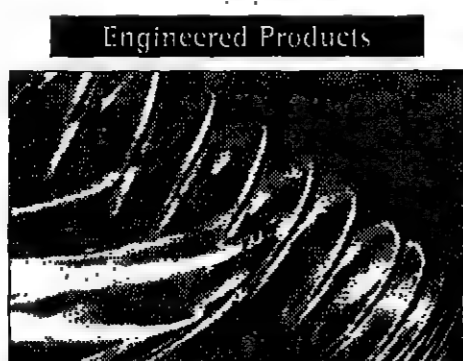
Tim Burt



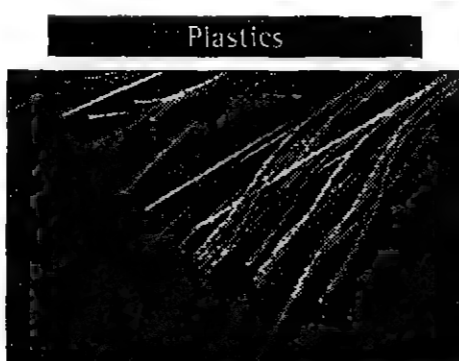
Electronic Materials



Ceramics



Engineered Products



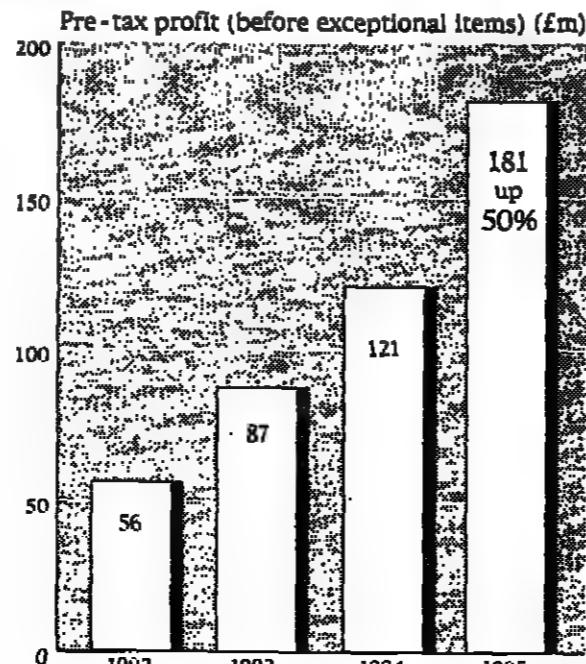
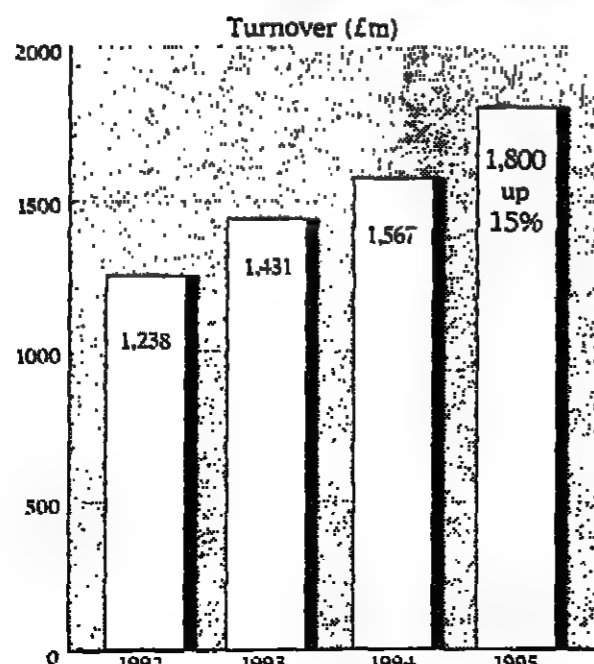
Plastics

"Continuing progress towards superior performance."

Richard Oster, Group Chief Executive



Results for the year ended 31 December 1995



Cookson MATERIAL SOLUTIONS FOR INDUSTRY WORLDWIDE

Copies of the Annual Report will be sent to shareholders and will be available from the Group Secretary, Cookson Group plc, 130 Wood Street, London EC2V 6EQ.

## PAN - HOLDING

Société Anonyme - Luxembourg  
R.C. Luxembourg: B 7023

7, Place du Théâtre, Boîte Postal 408, L-2014 Luxembourg  
Telephone: (352) 46 24 01/46 24 02 Telefax: (352) 46 25 27

### FISCAL YEAR 1995

At its Meeting of February 27, 1996, the Board of Directors finalised the accounts for the financial year 1995.

The accounts show a net profit of US\$ 15,787,305.-.

The net asset value as of December 31, 1995 amounted to US\$ 308,984,925.-, equivalent to US\$ 384.78 for each of the 847,049 shares of US\$ 50 par value outstanding.

This compares to a December 31, 1994 net asset value per share of US\$ 329.19. This represents a 10.81% rise over the previous year, or a 12.48% increase, if one takes into account the US\$ 5.50 dividend paid on June 1, 1995.

The Board of Directors decided to propose to the Annual General Meeting to be held on April 30, 1996:

- the payment to each Dividend Share outstanding as at the close of business of stock exchanges on May 31, 1996, of a dividend of US\$ 5.80 (five dollars eighty cents) for the year 1995, to be compared with the dividend of US\$ 5.50 paid in 1995 for the year 1994;
- the attribution of the amount corresponding to the dividend to the Capital Shares.

The dividend of US\$ 5.80 per Dividend Share is free of withholding tax in Luxembourg and would be payable as of June 3, 1996.

The current geographical breakdown of assets is as follows:

Cash	10.5%	Japan	17.5%
North America	23.9%	Europe	35.9%
Pacific Basin (excluding Japan)	10.9%	Gold Bullion, Gold Mines	4.9%

On March 6, 1996, the net asset value per share was US\$ 375.34, showing an increase of 2.89% compared to 31 December 1995. The repurchase price was US\$ 373.46 and the sale price US\$ 377.22 per share of US\$ 50 par value.

Following the resolution adopted by the Extraordinary Shareholders' Meeting of 2nd February, 1996, Pan-Holding's capital is represented by two classes of Shares: Capital Shares and Dividend Shares. The Shares presently issued and outstanding are classified as Dividend Shares. The Company reminds that shareholders who choose to exchange their Dividend Shares for Capital Shares should notify the Company or the Paying Agents of their choice prior to 30th April, 1996.

The Company reminds its shareholders that Shares of either class can be held either in registered or in bearer form, at the option of the holder thereof.

For further information, the shareholders should refer to the already published document on that subject or phone or write to the Company whose coordinates are mentioned above.

# Anglovaal Limited

Reg. No. 05042076  
(Incorporated in the Republic of South Africa)

## Interim report and dividend announcement for the half-year ended 31 December 1995

### Group income statement

	Reviewed Half-year ended 31 December 1995 Rm	Unaudited Half-year ended 31 December 1994 Rm	Increase/ (Decrease) %	Audited Year ended 30 June 1995 Rm
Turnover	7 589,7	5 833,8	14	13 800,3
Operating profit before depreciation	648,3	614,0	6	1 237,8
Depreciation	144,1	117,9	22	246,2
Operating profit	504,2	496,1	2	991,6
Income from investments	11,0	20,9	(47)	24,8
Profit before taxation	515,2	517,0	—	1 016,4
Taxation	180,7	155,1	4	271,7
Profit after taxation	334,5	361,9	(2)	744,7
Equity accounted earnings	107,5	59,1	82	127,2
Profit after taxation including equity accounted earnings	442,0	421,0	10	871,9
Attributable to outside shareholders of subsidiaries	223,6	206,1	7	450,7
Earnings before exceptional items	228,4	212,9	12	421,2
Exceptional items	26,8	(1,7)		(67,4)
Earnings after exceptional items	255,2	211,2	20	353,8
Earnings per share				
— before exceptional items (cents)	377	337	12	687
— after exceptional items (cents)	420	335	25	561
Dividends per share (cents)	47	42	12	148
Number of shares on which earnings per share is based (000)	63 206	63 100		63 112

### Group balance sheet

	Reviewed 31 December 1995 Rm	Unaudited 31 December 1994 Rm	Audited 30 June 1995 Rm
Capital employed			
Shareholders' interest	3 736,5	3 124,7	3 487,9
Outside shareholders' interest in subsidiaries	3 072,8	2 415,7	2 859,4
Total shareholders' interest	6 809,3	5 540,4	6 347,3
Debt capital	200,8	200,8	200,8
Deferred taxation	74,8	95,1	62,0
Long-term borrowings	582,3	478,5	574,7
	7 537,0	6 312,8	7 184,8
Employment of capital			
Fixed assets	3 017,1	2 104,1	2 885,0
Investments	1 922,5	1 812,0	1 883,8
— associated companies and mining subsidiaries	1 642,2	1 474,5	1 563,7
— listed	159,1	101,3	105,1
— unlisted	171,1	238,2	165,0
Loans and long-term debtors	118,5	148,3	118,2
Net current assets	2 577,9	2 248,2	2 327,6
Current assets	5 404,3	4 834,2	5 318,5
— inventories and debtors	4 185,1	3 574,3	3 879,5
— deposits and cash	1 219,2	1 259,9	1 439,0
Current liabilities	2 826,4	2 688,0	2 990,9
— interest bearing	602,4	561,3	562,9
— other	2 224,0	2 326,7	2 428,0
	7 537,0	6 312,8	7 184,8
Listed investments, associated companies and mining subsidiaries			
— carrying value	1 302,5	1 187,5	1 259,2
— market value	3 575,1	3 574,0	3 040,1

	Reviewed Half-year ended 31 December 1995 Rm	%	Unaudited Half-year ended 31 December 1994 Rm	%	Audited Year ended 30 June 1995 Rm	%
Composition of earnings before exceptional items						
Industrial	164,0	69	149,2	70	312,1	74
Anglovaal Industries Limited	153,8	65	138,2	65	293,5	70
Anglovaal direct investment in National Brands Limited	10,2	4	11,0	5	18,6	4
Mining	61,7	26	46,7	22	80,5	22
The Associated Manganese Mines of South Africa Limited	33,5	14	11,0	5	16,3	4
Middle Witwatersrand (Western Areas) Limited	18,1	8	25,9	13	40,7	10
Anglovaal direct investments — other	9,1	4	8,8	4	33,5	8
Net interest and other	12,7	5	17,0	8	18,6	4
Earnings	238,4	100	212,9	100	421,2	100

	Reviewed 31 December 1995 Rm	%	Unaudited 31 December 1994 Rm	%	Audited 30 June 1995 Rm	%
Net worth calculation*						
Industrial	5 178,7	56	5 512,0	57	5 772,8	61
Anglovaal Industries Limited	5 078,0	53	5 311,3	54	5 472,1	58
Anglovaal direct investment in National Brands Limited	300,7	3	300,7	3	300,7	3
Mining	4 510,7	41	4 051,9	41	3 410,3	36
Anglovaal direct investments	1 998,1	18	2 104,5	21	1 809,1	19
Middle Witwatersrand (Western Areas) Limited	2 512,8	23	1 947,4	20	1 601,2	17
Other	192,6	2	106,9	1	174,3	2
Total investment portfolio	10 882,0	99	9 770,8	99	9 357,4	99
Other net assets	89,5	1	48,6	1	25,9	1
Net worth attributable to shareholders	10 971,5	100	9 819,4	100	9 383,3	100
Net worth per share (rand)	172		154		147	

\*Listed investments are stated at market value and unlisted investments at cost or directors' valuation.

### Comment

#### Group results

Group earnings before exceptional items for the six months to 31 December 1995 increased by 12 per cent to R238,4 million from the R212,9 million in the comparable period. The interim dividend has been increased by 12 per cent to 47 cents (1994: 42 cents) per share.

Anglovaal Industries Limited (AVI) remained the principal contributor with earnings before exceptional items increasing by 11 per cent. In addition, The Associated Manganese Mines of South Africa Limited recorded substantially improved profits, and a higher royalty was received from De Beers Consolidated Mines Limited (De Beers) in respect of the Venetia Diamond Mine. The contribution from realisation of portfolio investments of 33 cents per share made in the six months to 31 December 1994 has not been repeated.

#### Industrial interests

Group industrial companies experienced difficult trading conditions during the six months period, particularly in the July to September quarter. Consumer spending was depressed in many served markets and increased competition placed additional pressure on margins in some sectors. Increased profits were recorded by Consol Limited, Grinaker Holdings Limited, the engineering sector comprising Bearing Man Limited and Trident Steel (Pty) Limited and by associated company, Anglo-Alpha Limited, which has now changed its name to Alpha Limited. Profits of Avtex Limited declined as a result of a slow-down in retail sales, exacerbated by increased unregulated and illegal imports, and Irvin & Johnson Limited reported earnings sharply down as a result of poor fishing conditions and the lower availability of contract distributed chicken product. Earnings at National Brands Limited also decreased due to severe pressure on margins.

The businesses within AVI are facing considerable threats from cheap, often illegal imports, and from the re-entry into South Africa of foreign-owned multinationals with aggressive pricing strategies in pursuit of market shares. Group companies continue to give urgent attention to programmes to achieve international levels of competitiveness.

#### Mining interests

Earnings from mining sources improved sharply from those of the comparable period.

On 31 August 1995, a half-yearly royalty payment of R58,4 million (1994: R31,8 million) was received from De Beers. This increase can be attributed largely to the delivery of additional rough diamonds by the Venetia Diamond Mine to the Central Selling Organisation in the first half of 1995. The royalty received amounted to 12,5 per cent of the mine's profits before appropriations for capital expenditure.

De Beers indicated at the time of the payment that diamond sales for the second half of 1995 would not match those of the first half. On the basis of information received from De Beers at the time, it was anticipated that the point at which De Beers would recoup the capital expended to bring the mine into production, plus interest thereon, would be reached by December 1995 which in fact happened. After this point, Return Mining, Prospecting & Development Company (Pty) Limited and De Beers share equally the profits of Venetia.

On 29 February 1996 a royalty payment of R107,9 million (1995: R18,8 million) was received.

Earnings for the period to 31 December 1995 of the Group's 50,2 per cent held subsidiary, The Associated Manganese Mines of South Africa Limited, increased by 188 per cent from R24,4 million to R70,2 million, largely as a result of the substantially higher price of ferro-chrome received during the period by its subsidiary, Ferrolloy Limited. The recent reduction in ferro-chrome prices will adversely affect Ferrolloy's results for the second half of the year.

Improved earnings were also recorded by the Group's andalusite and chrome interests.

The performance of the Group's investments in the gold sector was disappointing as a result of stagnant rand gold prices prevailing in the period, and the failure to meet production targets. Incidents of abnormal industrial unrest affected some operations.

#### New projects

At Target Exploration Company Limited, underground development from the neighbouring Loraine Gold Mines, Limited had reached the boundary by the year end and underground exploration drilling commenced in early 1996. Completion of the twin development declines will take longer than was envisaged, due to revisions in the interpretation of the geological structure, and the identification of extensions to the gold-bearing fan and allowance for further areas of poor ground and water intersections. It is now expected that the project will be completed eighteen months later than originally planned. Funds available are considered sufficient to complete the exploration phase and to commence preparations for the subsequent exploitation of the area. The underground drilling and analysis will be completed in 1998, after which a decision on the mining strategy to be adopted will be taken.

Expenditure by Target on the project in the half-year under review was R22,4 million. Expenditure for the full financial year to 30 June 1996 is estimated at R48,8 million.

Bulk samples of the ore bodies at the Nkomati nickel and cobalt prospect are in the process of being extracted and processed. Each of the three bulk samples are being processed separately to compare the actual plant results with those results achieved through laboratory bench scale test work with respect to metallurgical efficiencies and process identification. This part of the programme will be completed in the first half of 1996.

The concentrates produced are to be used to conduct detailed smelting and refining test work. The results of these investigations will determine the most appropriate metallurgical route to follow in the exploitation of the resource.

Expenditure of R20,7 million (1994: R21,5 million) during the half-year to 31 December 1995 on the Nkomati project was within budget. It is expected that a further R41 million will be spent on the project in the course of calendar year 1996 in order to complete all aspects of the first mine feasibility study. At that point, a total of approximately R130 million will have been expended on the project. This final total exceeds the estimate of R80 million to be spent over three years that was published in September 1993 and is due in the main to the addition to the project of the Ulkomst property and additional work undertaken on the possible development of the Massive Sulphide Body (MSB) which were not contemplated in the original plan. The joint venture partners have now agreed to proceed with the immediate exploitation of the MSB and members are referred to a statement in this regard published in the press on 7 March 1996.

Forzando Coal Mines (Pty) Limited has made good progress in the development of its coal deposit near Bethal. A decision on whether to proceed with an enlarged mine, with production of up to 2 million sales tons per annum, at a total capital cost of approximately R350 million, will be made in the next few months. Detailed studies are presently underway.

The Group continued to contribute to expenditure on exploration activities on areas held under exclusive prospecting licences in Namibia

and Zambia. These activities include airborne and ground geophysical surveys, geochemical surveys and reconnaissance diamond drilling on selected base metal anomalies and occurrences. The Group also continued to contribute to expenditure on geological research to identify target areas with mineral potential elsewhere in Africa.

Exploration expenditure by the Group and its partners, including the acquisition of mineral rights and ancillary costs, amounted to R69,0 million (1994: R58,7 million) for the half-year period. It is expected that expenditure for the half-year to 30 June 1996 will be at a similar level to that of the period to 31 December 1995.

### Prospects for year

The Group is budgeting for increased earnings for the year to 30 June 1996.

### Exceptional items

Exceptional items consist of the following:

	Half-year ended 31 December 1995 Rm	1994 Rm
Net surplus on disposal of investments, subsidiaries and properties	59,5	6,4
Goodwill written off	(4,7)	(14,4)
Other, including restructuring costs	(5,3)	(2,9)
	49,5	(10,9)
Attributable taxation credit	0,1	—
Attributable to outside shareholders (1994: credit)	(22,8)	9,2
	26,8	(1,7)

### Investments

During the half-year ended 31 December 1995, the Anglovaal Industries Limited group disposed of its entire interests in associated companies, Control Instruments Group Limited and Gearmax (Pty) Limited. A capital surplus totalling R48,2 million arose on these transactions and is included in exceptional items.

### Capital expenditure

The capital expenditure of the Group was as follows:

	Half-year ended 31 December 1995 Rm	1994 Rm
To maintain operations	170,3	139,0
To expand operations	123,9	85,1
	294,2	224,1
Commitments for future capital expenditure		
Contracted for	228,4	186,2
Authorised, but not contracted for	141,7	102,5
	370,1	288,7

### Commitments and contingent liabilities

At 31 December 1995, commitments amounted to R10,3 million (1994: R78,9 million). Contingent liabilities amounted to R45,9 million (1994: R42,9 million).

Certain Group companies entered into forward exchange contracts in the normal course of business.

### Comparative figures

Items previously regarded as extraordinary have now been reclassified as exceptional items and reflected as such in the Group income statement. The results for the half-year ended 31 December 1994 and the year ended 30 June 1995 have been restated accordingly.

The Group balance sheet at 31 December 1994 has been restated to reflect the change in accounting policy relating to accounting for goodwill arising on acquisitions which was effective 1 July 1994. The effect of this is a reduction of R560,7 million in the fixed assets previously reported at 31 December 1994, with corresponding reductions of R227,9 million in shareholders' interest and R332,8 million in outside shareholders' interest in subsidiaries. This change had no effect on earnings for the six months ended 31 December 1994.

### Review by the independent auditors

The financial information set out herein has been reviewed, but not audited, by Ernst & Young and KPMG, who have issued an unqualified review report.

### Interim dividend declaration

Notice is hereby given that interim ordinary dividend No. 100 of 47 cents per share and interim N ordinary dividend No. 12 of 47 cents per share have today been declared payable to holders of ordinary and N ordinary shares, salient dates related to the declaration being as follows:

	1996
Last day to register for dividends and for change of address or dividend instructions	Friday, 22 March
Period during which transfer books and registers of members will be closed (both days inclusive) to determine which members qualify for the dividends	Saturday, 23 to Friday, 29 March
Currency conversion date for sterling payments to shareholders paid from London	Monday, 1 April
Dividend warrants posted/dividends electronically transferred	Friday, 19 April

The dividends are paid subject to conditions which can be inspected at the registered office or the office of the London secretaries of the Company.

For and on behalf of the board

B E Hersov Chairman  
Clive S Menell Deputy Chairman

7 March 1996

Registered office  
Anglovaal House  
56 Main Street  
2001 Johannesburg  
South Africa

London secretaries  
Anglovaal Trustees Limited  
33 Davies Street  
London, W1Y 1FN  
United Kingdom

Directors: B E Hersov DMS, Hon. LLD (Chairman), Clive S Menell (Deputy Chairman), O D Barber, B L Bernstein Hon. LLD, J J Geldenhuys, J R Hersov, Dr E J Mabuza, R P Menell, J C Robertson, R B Savage, R T Swemmer, R A D Wilson



**Gengold Limited**  
(Registration number 7105181/00)  
("Gengold")

**Buffelsfontein Gold Mining Company Limited**  
(Registration number 053394/00)  
("Buffelsfontein" or "the Company")

**RANDGOLD**

**Randgold & Exploration Company Limited**  
(Registration number 920864/00)  
("Randgold")



**BUFFELSFONTEIN**  
GOLD MINES LIMITED  
(Registration number 0610072/00)  
("BGM")

## Restructuring of Buffelsfontein and the listing of BGM

### 1. Introduction

Further to the announcements dated 8 November 1995 and 18 January 1996, ordinary shareholders of Buffelsfontein ("Buffelsfontein ordinary shareholders") are advised that the details of the restructuring of Buffelsfontein have been agreed upon and are set out below.

### 2. The restructuring of Buffelsfontein

The restructuring of Buffelsfontein will be effected by means of:

2.1 the sale of all the assets of the Buffelsfontein mining division to and the assumption of all the liabilities of the Buffelsfontein mining division by a new company, BGM, in exchange for 11 000 000 ordinary shares in BGM ("BGM shares") in respect of which a fully paid renounceable letter of allocation ("the RLA") will be issued to Buffelsfontein; and

2.2 a scheme of arrangement proposed by BGM between Buffelsfontein and the Buffelsfontein ordinary shareholders ("the scheme") in terms of section 311 of the Companies Act, 1973, as amended, ("the Act"), pursuant to which Buffelsfontein ordinary shares will be converted into redeemable preference shares and redeemed at par plus a premium. The redemption proceeds, which comprise BGM shares, will be distributed to Buffelsfontein ordinary shareholders, registered as such on Friday, 19 April 1996 ("the record date"), in the ratio of 1 (one) BGM share for every 1 (one) Buffelsfontein ordinary share held on the record date, pursuant to the renounceable letter of allocation of its rights under the RLA.

Buffelsfontein ordinary shareholders previously held their interests in the Buffelsfontein mining division via their holdings of Buffelsfontein ordinary shares. As a result of the restructuring of Buffelsfontein, they will now hold the same economic interests in the Buffelsfontein mining division through their holdings of BGM shares. As the exchange ratio is 1 (one) BGM share for every 1 (one) Buffelsfontein ordinary share, Buffelsfontein ordinary shareholders will continue to hold the same number of shares whose earnings and net asset value are not expected to be materially affected by the restructuring. It is anticipated that under the management of Randgold (through First Weigold Mining (Proprietary) Limited, a wholly owned subsidiary of Randgold ("First Weigold")), which focuses on the management of marginal mines such as the Buffelsfontein mine and has developed special skills in this area, the life of the Buffelsfontein mine could very well be extended.

Approval has been granted by the Commissioner for Inland Revenue for the restructuring of Buffelsfontein as described above to be categorised as a rationalisation in terms of section 39 of the Taxation Laws Amendment Act, 1984 (Act No. 29 of 1984), as amended, and accordingly to be exempt from transfer duties and recoupment tax.

UAL Merchant Bank Limited has advised the directors of Buffelsfontein that in their opinion the restructuring of Buffelsfontein is fair and reasonable to Buffelsfontein ordinary shareholders.

### 3. Listings

Subject to the scheme becoming operative, the listings of Buffelsfontein ordinary shares on The Johannesburg Stock Exchange ("the JSE"), the London Stock Exchange ("the LSE") and the Paris Bourse and the inclusion of Buffelsfontein American Depositary Receipts ("ADRs") representing Buffelsfontein ordinary shares in NASDAQ will be terminated from the close of business on Friday, 19 April 1996. Buffelsfontein will be renamed Beatrix Mining Company Limited and will be a wholly owned subsidiary of Beatrix Mines Limited.

Application has been made for a listing of BGM shares on the JSE with effect from Monday, 22 April 1996 in order that the interests of the Buffelsfontein ordinary shareholders in the Buffelsfontein mining division will continue to be held directly in a listed company and will in fact be unaffected by the restructuring.

The listing of BGM will be in the Gold - "Gekroond" sector of the JSE lists and will be under the abbreviated name "Buffs".

### 4. Management of BGM

With effect from the date of commencement of the due diligence exercise conducted by Randgold at Buffelsfontein, being 8 November 1995, the Buffelsfontein mining division has been jointly managed by Gengold and Randgold in terms of a joint consultancy contract. The Beatrix mining division is managed by Gengold. Subsequent to the implementation of the restructuring, First Weigold will provide management services to BGM in terms of a new management contract.

### 5. Approvals required

In order for the scheme to become operative, Buffelsfontein ordinary shareholders will be asked to agree to the scheme at a scheme meeting to be held at 10:00 (South African time) on Tuesday, 9 April 1996 at 6 Holland Street, Johannesburg ("the scheme meeting"). Buffelsfontein ordinary shareholders and the Buffelsfontein preference shareholder will also be asked to approve resolutions regarding the restructuring at a combined general meeting of Buffelsfontein ordinary shareholders and the Buffelsfontein preference shareholder to be held at 10:15 (South African time) or immediately after the scheme meeting, whichever is the later, at the same venue on the same day ("the general meeting").

The implementation of the restructuring is subject to the fulfilment of, inter alia, the following conditions precedent:

- the sale to BGM of the Buffelsfontein mining division becoming unconditional;

- the scheme being agreed to by a majority representing three-quarters of the votes exercisable by scheme members present and voting either in person or by proxy at the scheme meeting;

- the Supreme Court of South Africa (Witwatersrand Local Division) sanctioning the scheme;

- the lodging with and registration by the Registrar of Companies of the special resolutions to be proposed at the general meeting in terms of the Act;

- the passing by Buffelsfontein ordinary shareholders and the Buffelsfontein preference shareholder of all the resolutions to be proposed at the general meeting;

- certified copies of the Order of Court sanctioning the scheme being registered by the Registrar of Companies in terms of the Act; and

- the granting by the JSE of a listing for BGM shares.

### 7. Important dates and times

Last day to submit proxy forms for the general meeting by 10:15 (South African time) on

Wednesday, 3 April

Last day to submit proxy forms for the scheme meeting by 10:00 (South African time) on

Thursday, 4 April

Scheme meeting to be held at 10:00 (South African time) on

Tuesday, 9 April

General meeting to be held at 10:15 (South African time) or immediately after the scheme meeting, whichever is the later, on

Tuesday, 9 April

Court hearing to sanction scheme

Tuesday, 10 April

Listings of Buffelsfontein ordinary shares on the JSE, the LSE and the Paris Bourse and the inclusion of Buffelsfontein ADRs in NASDAQ are terminated with effect from the close of business on

Friday, 19 April

Record date for participation in the scheme at 16:30 on

Friday, 19 April

Operative date of the scheme

Monday, 22 April

Listing of BGM shares commences on the JSE on

Monday, 22 April

Any changes to the above dates and times will be published in the press.

### 8. Documentation

Documentation containing details of the restructuring of Buffelsfontein and incorporating an explanatory statement regarding the scheme as well as the proposed pre-listing statement of BGM will be posted to Buffelsfontein ordinary shareholders and the Buffelsfontein preference shareholder today.

### 9. BGM share certificates

Buffelsfontein ordinary shareholders, registered as such on the record date, must surrender their documents of title to Buffelsfontein ordinary shares to the transfer secretaries of the Company, Optimum Registrars (Proprietary) Limited, 4th Floor, Edeura House, 40 Commissioner Street, Johannesburg, 2001 (PO Box 62381, Marshalltown, 2107) in South Africa or Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU in the United Kingdom ("the transfer secretaries"). In order to receive BGM share certificates, Buffelsfontein ordinary share certificates will no longer be good for delivery from Monday, 22 April 1996 ("the operative date").

Buffelsfontein ordinary shareholders may choose to surrender their documents of title prior to the scheme and general meetings and such documents of title will be held in trust by the transfer secretaries pending the agreement of shareholders to the scheme and the passing of the resolutions to be proposed at the general meeting. Should the scheme become operative, BGM share certificates will be posted to Buffelsfontein ordinary shareholders within 7 days of the operative date or within 7 days of receipt by the transfer secretaries of the relevant documents of title, whichever is the later date.

Johannesburg  
8 March 1996

Merchant bank



**RAND MERCHANT BANK LIMITED**  
(Registration number 0019588/00)  
(Registered bank)

Adviser to the ordinary shareholders of Buffelsfontein



**Merchant Bank Limited**  
(Reg No 5503181/04)

Sponsoring broker to BGM



**Simpson McKie James Capel**  
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Sponsoring broker to Buffelsfontein

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Attorneys to BGM



**Bowman Gilfillan Hayman Godfrey**  
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Attorneys to Buffelsfontein

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## A global investor's progress

Simon London on a Dutch group's strategy of expanding through ventures with local partners



Recent portfolio addition: the Velizy II shopping centre in Paris which Rodamco has acquired

Most property investors regard real estate as primarily a local business, best practised by those with extensive local knowledge and contacts. Rodamco, the Dutch property company, is trying to prove conventional wisdom wrong by operating on a global scale.

Following rapid expansion over the past three years, the company's investment portfolio is now valued at about £1.8bn (\$4.8bn), with assets spread across western Europe, North America and Asia.

Mr Andrew Walker, property analyst at Paribas Capital Markets, says: "With other property companies reducing their spread of assets worldwide, Rodamco is now the only truly international liquid property company."

The development of Rodamco into a global investor has not been entirely smooth since its creation in 1979. Progress in the early years was slow as the Robeco Group, which had hitherto specialised in bonds and equities, assembled a team of property managers.

An extensive development programme planned in the late 1980s left Rodamco with empty buildings at a time of very weak tenant demand. The darkest hour came in 1990, when Rodamco was forced to abandon its open-ended structure because so many investors were withdrawing cash.

However, the mid-1990s finds Rodamco in a confident mood. Strategic direction has changed, with less emphasis on development and an increased weighting in favour of retail property. About 60 per cent of the portfolio is now in retail.

The company has also become an active participant in the emerging markets of east Asia. It aims to have one quarter of its portfolio invested in these areas and already has £1.2bn committed to the region, from Australia to Singapore to Thailand.

The fruits of this eastward expansion were evident from this week's financial results. Rodamco's European properties declined in value by 1.1 per cent during 1995; its US properties increased in value by only 1.4 per cent, while its Pacific assets advanced by 6.4 per cent.

But Rodamco is not only

expanding in Asia. During 1994 and 1995, the company invested a net £1.4bn in Europe. Big shopping centres have been favoured targets, with acquisitions in France, Spain and Germany.

Expansion has been funded partly with debt, reversing a long-standing policy of not gearing shareholders' funds. A recent \$500m bond issue, bringing gearing to 14 per cent, underlined this change of tack.

Yet for all its corporate trappings, Rodamco retains the tax advantages of a fund. Its tax charge is little more than 2 per cent, which makes it a good vehicle for Dutch pension funds - many of which are switching out of direct ownership of buildings.

"We will never be a highly leveraged company. It is not what the shareholders want," says Mr Wim Dijkema, chief financial officer.

This week's figures were a mixed bag. Net profit declined marginally, reflecting the adverse impact on investment income of lower interest rates. The acid test of Rodamco's international strategy is whether it can keep pace, in the long term, with investors in each local market.

Too often in recent history, cross-border investors have ended up buying the wrong buildings at the wrong point in the cycle, usually to the

delight of their local rivals. Rodamco's recipe for avoiding similar pitfalls is to use joint ventures with established local partners combined with a network of overseas offices.

"We invest alongside first-class local partners, with equal risk-sharing wherever possible. We also use our local offices as our eyes and ears," says Mr Dijkema.

One advantage of this approach is that Rodamco itself has remained a relatively small organisation. Today it employs 140 people, including administrative staff.

The potential risk is that Rodamco does not have 100 per cent control over many of its assets, especially in North America and Asia. This could be dangerous unless relationships with partners are maintained at a wholly cordial level.

Rodamco believes it can outperform purely local investors by taking an overview of world markets and allocating capital where the growth prospects are brightest.

The company sets benchmarks for each country, demanding an investment return of at least 100 basis points - and usually much more - above government bond yields. Each investment is reviewed annually to see whether it is likely to exceed the benchmark which has been set.

Investments which do not pass the test are sold. For example, Rodamco has sold two of its office investments in Germany over the past year, taking the view that property yields are too low to deliver the required premium over government bonds.

But in spite of its international spread of assets, Rodamco's shareholders remain almost exclusively Dutch. This is something which will have to change if the company has truly global ambitions. The obvious answer is to list the shares of Rodamco NV, the main holding company, on overseas stock markets. The company's decentralised structure may also allow for a series of sector or country funds which could be listed separately from the holding company.

Rodamco Retail Nederland, which was launched two years ago and is listed in Amsterdam, could point the way forward in this regard.

The launch of further specialist funds would please investors who remain sceptical about the ability of any property company to manage a global portfolio.

Meanwhile shares in the holding company would be available for fund managers who, like Rodamco, want property exposure worldwide.

## Forthcoming

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If you would like to help us set up practical projects to save the rainforest, write to the Membership Office at the address below.



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World Wide Fund for Nature  
(Formerly World Wildlife Fund)  
International Secretariat, 119a Gland, Switzerland

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This is a rare opportunity to build an insurance business from the ground up, in which your entrepreneurial flair and commercial creativity will be supported by the brand heritage and global reach of a leader in financial services. Based in London, and working in a small expert team, you will travel widely within the selected countries, interviewing key people in the local insurance and pensions markets, commissioning and co-ordinating research, analysing industry data and evaluating opportunities. When you have identified potential partners, you will work

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You will already be working at middle management level in the German or Italian life insurance sector or have extensive hands on experience of one of these markets, and you will be skilled in the research, analysis and assessment of international insurance markets. Fluency in German or Italian - both written and spoken - is essential. A flexible and highly motivated team-player, you will combine creative commercial thinking with a rigorously methodical approach to business. GE Capital is a non-hierarchical company in which a willingness to pitch in to meet team objectives is highly valued.

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**SOLAR TURBINES EUROPE**

Attn: Managing Director  
Avenue des Etats-Unis 1  
6041 COSSELIES  
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To apply, please send your CV including details of your current remuneration to:

Dept II, Institutional Investor, Imperial Buildings, 56 Kingsway, London WC2B 8DX

Please ensure that your details arrive no later than March 29, 1996



**European Investment Bank**

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The EIB, the financial institution of the European Union, is currently seeking for its Chief Economist's Department in Luxembourg:

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For further details, contact Ms Daphne Venturas on +352 4379 3438.

**Qualifications:** PhD degree in economics with a strong quantitative background. The ability to work in a team and to tight deadlines is required. Good writing and presentation skills are essential. The suitable candidate would be recruited at a junior level if he/she has no professional experience or at a more senior level if he/she has acquired such experience.

**Languages:** Perfect knowledge of English or French and good knowledge of the other. Working knowledge of other Community languages would be an advantage.

The EIB offers attractive terms of employment and salary with a wide range of welfare benefits. It is committed to a policy of equal opportunities and applications from women would be particularly welcome.

Applicants, who must be nationals of a Member Country of the European Union, are invited to send their curriculum vitae, in English or French, together with a letter and photograph, quoting the appropriate reference, to: EUROPEAN INVESTMENT BANK, Recruitment Division (Ref. EI 9610), L-2950 LUXEMBOURG. Fax: +352 4379 2545.

Applications will be treated in the strictest confidence and will not be returned.

The Bank regrets that it can only acknowledge receipt of those applications which meet the requirements for this position.

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You and your terminal are completely in his hands. He carries out the repair and disappears into that mysterious place where technicians live. So where does he fit into the scheme of things? Is he a worker or a manager?

Professor Stephen Barley of Stanford University says in a new paper, *The New World of Work*, published by the British North American Committee, that we have become conditioned to "western images of work rooted in several fundamental polarities: mental/manual, clean/dirty, educated/uneducated, white collar/blue collar, manager/worker".

"The first and last term of each polarity," he writes, "anchors the upper and lower

end of a system of status and prestige."

Our images are confused by the computer technician who carries tools like a manual worker but wears a tie like a manager and talks and thinks like the specialist he is.

Is the technician, along with the professional, about to inherit the Earth? If they are, there seems to be little evidence of company managements allowing it to happen. Few managements appear to possess technical expertise in computer systems, yet almost all are making decisions about installing or upgrading computer systems in their businesses. How long can this continue?

Barley argues that the job of technician, traditionally a humble role not highly rewarded, is growing increasingly important across the globe with the expansion of science and technology. He quotes research by the US science historian, Derek J. de Solla Price, into the exponential expansion of scientific knowledge since the 17th century. Price observed that 90 per cent of all scientists who have

ever lived are alive today. Barley is joining those futurologists who believe we are entering a new industrial age which is fundamentally altering the organisation of work. As previous columns have noted, it is a controversial area lacking strong empirical evidence.

Some academics have criticised such predictions, arguing that they are often too influenced by trips to Silicon Valley and anecdotal experience. That said, there can be little argument that computers are having an ever-increasing influence on our lives. The systems which run them are attracting an army of skilled, often self-employed people, whose terms are either negotiated individually or by a sourcing agency.

Jobs such as programmer, systems analyst, operations researcher, computer operator and computer repair technician are among the fastest growing, says Barley, who

notes that in north America alone they are expected to provide employment for 2.3m people, or 1.6 per cent of its labour force, by the millennium.

He discusses their impact on managerial and secretarial jobs, suggesting that much management will take on a co-ordinating role between teams of professionals. A study of secretaries at Cornell University found that the spread of personal computers was changing the nature of a secretarial job into that of an administrative or research assistant.

In those circumstances, it may be perceived that the definitions of secretarial and management work are beginning to merge, yet there remains, in most cases, a large gulf between the reward, status and qualifications for the two jobs.

Barley predicts that the technological revolution will produce a more horizontal division of labour, with significant consequences for management. He writes: "Management's tra-

ditional source of legitimacy will begin to wane. Unless managers are technically trained, their claims to be arbiters of technical issues will ring increasingly hollow to employees.

Preliminary research suggests that technical workers widely believe executives to be out of touch with the work of the organisations they head."

Barley adds: "The likelihood is that managers, unable to make knowledgeable decisions autocratically, will find themselves relegated to the important but less heady role of co-ordination."

Having said this, he does not deny that managerial hierarchy and technical expertise can work hand in hand, citing the balance achieved by the military.

His observations do not take account of the spread of technical work, particularly of computer data processing, to the emerging nations of Asia. The mobility of much computer work, which can be transmit-

ted in seconds across the world, is bound to have an impact on labour costs, while the ability to skills-source globally will surely remain in the domain of management.

Barley argues, nevertheless, that schools and colleges may need to re-orient the career aspirations of children, upgrading the importance of a technical career.

*The New World of Work* is published by British North American Research Association (UK), Grosvenor Gardens House, 35-37 Grosvenor Gardens, London SW1W 0BS, tel 0171 825 6644, price £10. Copies in the US can be obtained from the National Planning Institute, tel 202 384 7623, price \$15.

## Foreign climes

The prospect of a foreign assignment is not only something to which many employees aspire, it is increasingly viewed as an essential ingredient in any career path towards top management.

But that foreign posting, when it comes along, may not be as attractive as in the mind's eye. Before accepting it, it would be worthwhile examining whether your prospective working conditions have been taken into consideration when producing the overall package.

Many companies do accept that assignments can offer variable employment and living conditions and will adjust their reward packages or location allowances accordingly. They may take an ad hoc view or use consultants' advice or do both.

ECA International produces a ranking system which recognises that different nationalities have different views of various expatriate assignments. It awards points for such criteria as climate, health, language and culture, goods and services, isolation, social network and leisure, housing and education, personal safety and socio-political tensions.

These rank locations into six categories, starting with rank A for the most attractive and F for the least attractive location. Among western European expatriates, the postings

attracting the least hardship tend to be in their own European neighbourhood, with the addition of the US (New York), Australia, New Zealand and the Netherlands Antilles.

Hong Kong, Malaysia, Singapore and some of the Gulf States are in category B. Dubai gets the same ranking but its neighbouring emirate, Abu Dhabi, is in the C list with Japan, a number of central European countries such as Hungary and the Czech Republic, and some South American and African nations such as Chile and Swaziland.

India, Latvia, Turkey and Cuba are among a long list of countries in category D, while China, Pakistan, Iran, Uganda are in category E. The last ranking, F, is reserved for just four countries: Algeria, Angola, Rwanda and Zaïre.

Countries which have changed rankings in the past year due to deteriorating conditions include Japan, Bulgaria, Malaysia, Russia, Venezuela and Zaïre. Those that improved their ranking are Kuwait, Netherlands Antilles, Peru and Sudan.

Report available in ECA subscribers, tel 0171 331 5000.

Richard Donkin

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Interested candidates should write to Gavin Starling at Michael Page City, enclosing an up-to-date CV to Page House, 39-41 Parker Street, London WC2B 5LH quoting reference 279621.



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## JUNIOR TRADER

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## JUNIOR EUROPEAN ANALYST

## The Role

- Balance sheet, profit & loss, cash flow statement, and financial ratio analysis
- Database screening, validity checking, and industry analysis
- Prepare detailed analysis on companies through the writing of summary memos on companies

## The Qualifications

## JUNIOR TRADER

## The Role

- Trading function - following the orders given by the Portfolio Managers
- Info gathering - update Portfolio Managers/Analyst of intraday market developments (Top Down) as well as stock related news (Bottom Up)
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- Commercially astute, a proven negotiator, with practical business experience gained with an established financial institution.
- High energy team player.
- Keen to work in a complex, dynamic, performance related environment.

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## Candidate Specification

Age: Ideally late 20's to early 30's

Academic Qualifications: A good degree in Economics

Previous Experience: Ideally 5 years as a Fixed Income Strategist, within a trading room environment and a minimum 2 years spent concentrating on Germany or France. Should have prior experience of presenting to client accounts.

Character: Must be able to apply academic strengths rigorously within a market environment. Must be a fluent communicator in both written and oral form. Must be self-assured and able to justify views, whilst contributing fully to the team ethos.

Languages: Must be a fluent German/French speaker

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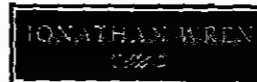
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- ◆ Commercial acumen, understanding of retail. Stringent cost, stock and staff control, IT and systems literate.
- ◆ Committed, tenacious and detail conscious. Able to work under pressure and manage staff. Sense of humour.

Please send full cv, stating salary, ref B160206, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB



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# HONDA

## Financial Controller

### Attractive Package

West London

Honda is world renowned for the excellence in quality and performance of its products. Working within Honda UK, the sales and marketing arm of Honda Motor Europe Ltd, this key role provides financial advice and direction to a rapidly-expanding £90m business area covering motorcycles and power equipment.

#### THE POSITION

- ◆ Strong commercial remit, responsible for building and developing business partnerships with operational management.
- ◆ Emphasis on planning and budgeting procedures. Implementation of forecasting systems and enhancement of management and control of divisional assets. Involvement in introduction of SAP system.
- ◆ Responsibility for divisional management accounting. Reporting to UK Head of Finance and responsible for a team of five.

#### QUALIFICATIONS

- ◆ Qualified accountant, aged 30-40. Commercially astute and technically proficient. IT literate.
- ◆ Positive influence and persuader. Long-term thinker. Interested in product range.
- ◆ Proven experience of managing and motivating a team. Strong communication skills.
- ◆ Mature, confident and results driven. Disciplined and organised. Potential for further development.

Please send full cv, stating salary, ref LG60301, to NBS, 54 Jermyn Street, London SW1Y 6LX



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مكتبة الأهرام

## Liz Claiborne Inc.

### FINANCE DIRECTOR

Liz Claiborne Inc. is a US-based designer and marketer of an extensive range of women's and men's apparel with current worldwide revenues exceeding \$2 billion. The company's principal lines are generally considered to be designer fashion, but at a price which offers its customers unusually high quality and value. Liz Claiborne Inc. has now formulated an ambitious strategy to dramatically increase its market share in Europe through an expansion of its product ranges and by further penetration into European markets. An exceptional Director of Finance and Administration is now sought as a member of the front line management team, to work with the Head of European Operations, the General Managers of Sales and Merchandising and with other key functions to spearhead and manage this new European initiative.

**The Position**

- Report to the Head of European Operations with functional 'dotted line' to the US.
- Overall responsibility for financial and information systems within Europe.
- Assist the executive team with the development of the planning cycle; analyse and evaluate a wide range of business propositions.
- Manage, motivate and develop financial management and administrative staff.
- Lead the IT development programme.

**The Requirements**

- A professionally qualified accountant and a European national. English is essential and fluency in other European languages would be useful.
- A clear, successful track record as a Financial Controller or Financial Director within an independent business or a stand alone subsidiary of a larger group.
- Experience in a US multinational with an understanding of US GAAP.
- Prior experience in retail, distribution or wholesaling, ideally in apparel.
- An approachable, hands-on team player with excellent communication skills.

Please send your CV with current salary details to:  
Geoffrey Mather, K/F Associates.

Internet Home Page: <http://www.kfassociates.com/kfassociates/>

**K/F ASSOCIATES**  
KORNBERGER CARREFOUR INTERNATIONAL

## FINANCIAL CONTROLLER

London c.£45,000 + Car + Benefits

This position represents an unparalleled opportunity within the trading operation of a prestigious international group. As a newly created role there is strong potential for career development and progression.

**THE COMPANY**

- UK subsidiary of a worldwide trading operation
- Part of a \$1.5 billion turnover US industrial multinational
- Leading trader of precious metals expanding into base metals
- Extensive industrial client base
- Strong performer with consistent growth in turnover and profit
- Entrepreneurial business style; dynamic and fast moving environment

**THE PERSON**

- Graduate ACA/CIMA/ACCA with at least 4 years ppe
- Age indicator 30-35
- Commercially driven with exceptional communication skills
- Proven track record of achievement to date
- Exposure to international trading environment from either commerce or practice
- Knowledge of SFA regulatory requirements would be advantageous
- Systems literate

**THE ROLE**

- Reporting to the FD, your brief will be to maximise performance through continual risk analysis and strong financial control
- Interfacing with trading and operations staff, you will ensure the provision of vital financial information
- Commercial analysis and strategic review
- Improvement and enhancement of reporting processes
- Advisor on SFA compliance work
- Completion of statutory and tax reporting requirements

Please contact our advising consultants  
Sharmila Sharon Parekh or James Heath at  
Executive Match on 0171 872 5544, or write enclosing your CV quoting reference J/409 to them at:

**EXECUTIVE MATCH**  
1 Northumberland Avenue,  
Trafalgar Square,  
London WC2N 5BW  
(Fax: 0171 753 2745)

## Finance Director

Isle of Man c.£55,000 + Benefits

Our client is an autonomous subsidiary of a major financial services organisation with an enviable market position and significant plans for future development. In order to support these strategies, they seek to strengthen their management team through the appointment of a high calibre Finance Director.

Reporting to the Managing Director, you will assume full responsibility for Finance, Actuarial, Legal and Human Resources, managing a team of around 40 staff. Specific objectives include the development and implementation of a HR strategy that is fundamental to the success of the business. As a key member of a closely knit management team, you will be expected to provide strong financial leadership and have a significant influence on the future of the business.

Candidates, aged 35-45, will be qualified accountants with a proven track record of achievement having operated at a senior level influencing and delivering business strategy, preferably with experience of entering new markets and product launches. Essential personal qualities include outstanding communication skills, strong personal presence and maturity along with a tough minded approach to business control.

A comprehensive relocation package will be available if necessary and it should be noted that residents of the Isle of Man enjoy a more favourable tax regime.

Interested candidates should forward a comprehensive curriculum vitae to Stephen Banks ACMA, Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ or fax to 0161 236 6961 quoting reference 277202.

**Michael Page Finance**  
Specialists in Financial Recruitment  
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## Director of Finance

'Shaping and underpinning a successful growth strategy'  
London + Around £80,000 plus excellent benefits

The management consultancy arm of one of the world's most prestigious and leading professional services firms is enjoying steady growth and is targeted for impressive expansion during the course of the next three years. Building upon their reputation for excellence they will continue to expand their market share by winning and delivering the highest quality services in their chosen market sectors. The newly created role of Director of Finance reports to the Executive Committee and is a member of the Senior Management Team.

Broad accountability exists which encompasses strategy development and business planning processes combined with the assertion of firm operational control. This is an intellectually challenging environment which demands quick, yet effective thinking combined with a great capacity for work.

The successful candidate (likely to be aged between 35-45 years) must be able to demonstrate experience of operating as a financially responsible business manager at Board level in a growing services company with an annual turnover exceeding £75m.

You must also demonstrate:

- academic and professional qualification achievement
- sharp business focus and commercial inclination
- record in developing a business through rapid growth and change
- goal orientation and the will to succeed
- a positive personality, excellent communication skills and a strong intellect
- creative leadership with business maturity

This is a high visibility role which will provide a superb springboard for further career advancement.

To be considered for this position, please send your CV to our Advising Consultants, Marion Radford at CTA International Search and Selection, Staverton House, 3-5 Southampton Road, Wokingham, Berkshire RG40 2EH, Tel: 01734 771100 Fax: 01734 771223, quoting reference: MR/1080.

**CTA**  
International  
Search & Selection

## Director of Finance

Healthcare Sector  
£55-60,000 + Benefits East Midlands

Board level position with responsibility for leading customer-focused finance function in demanding environment.

**THE TRUST**

- Well established, highly regarded NHS Trust. Over £100m annual income, c.1300 beds.
- Wide-ranging, clinical healthcare services provider. Centre of excellence in teaching and academic research.
- Attractive campus. Professional, friendly environment. Forward-thinking management team.

**THE POSITION**

- Report to Chief Executive. Bring clarity and leadership to finance function. Contribute to corporate policy and strategy.
- Improve cost-effectiveness, service levels and competitiveness. Review and improve operating procedures.

**QUALIFICATIONS**

- Build strong working relationships with clinicians. Provide advice. Add value.
- Accountancy qualification. Probably a graduate. Senior level experience gained in complex £50+ million organisation in NHS, public or private sector.
- Rigorous financial technique with customer-oriented approach. Able to establish credibility at all levels. Exceptional listening and communication skills.
- Team player. Resourceful, can work effectively under pressure. Sound judgement. Ability to prioritise issues and deliver results.

Please send full cv, stating salary, ref B160205, to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB

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## FINANCIAL PLANNING & ANALYSIS MANAGER

Paris

Boston Scientific is a worldwide developer, manufacturer and marketer of medical devices. The Company's products are used in a broad range of minimally interventional medical specialties.

As a result of new acquisitions and the broadening and consolidation of existing franchises, we have changed ourselves into a truly global enterprise, strengthening our financial position (worldwide turnover exceeding US\$ 1 billion) and refining our focus on our customers.

At our European Headquarters near Paris, we now need an exceptional Financial Planning and Analysis Manager. In this newly created position you will be reporting to the Vice President of Finance, Europe and work in close collaboration with the Vice President and Marketing Director of SciMed (our Cardiology Division). You will take responsibility for the financial planning, budget forecasts and analysis of the group's European activities and the preparation of the annual budget. Key activities will include the preparation of monthly business reports for each country and the whole of Europe, analysing and interpreting operating variances, investment analysis and coordinating monthly forecasts. Additionally, you will undertake a number of specific financial analyses.

Finally, you will prepare presentation schedules for executive meetings and take a crucial part in the decisions and recommendations relating to price setting and the allocation and forecasting of resources.

Ideally you will be a graduate, qualified Accountant or MBA with 3-5 years' minimum post-qualification experience gained within a multinational environment, preferably in healthcare, manufacturing or a high-technology environment.

Fluent in a second European language, you should have good written and oral communication skills and be PC literate. Analytical, outgoing and articulate, you have a hands-on approach and show initiative, adaptability and resourcefulness.

Please send your career details, quoting ref: KFF/95150, to Boston Scientific Corporation, Immeuble Vision Défense, 91 Boulevard National, F-92257 La Garenne Colombes, France. Alternatively you can fax your details to us on (00 33 1) 46 49 66 99.

**Boston Scientific Corporation**

## Finance Director

c.£60,000 package + benefits World Class Manufacturing M3 Corridor

Challenging remit within a profitable £20m turnover international market-leading business which operates in a highly autonomous fashion within one of the UK's most respected and successful quoted electronics and engineering groups. The key challenge is to provide first-class financial management and business appraisal to ensure that an ambitious but realistic international expansion programme is effectively delivered.

**THE ROLE**

- Reporting to the MD, providing an authoritative and timely financial management and control service, supported by an established team, to drive cost reduction programmes and facilitate planned international growth.
- Developing and leading the accounts teams, both in the UK and overseas, ensuring tight group reporting is maintained whilst implementing a new fully integrated system.
- Progressively contributing to strategic management, evaluating new business opportunities and the integration of potential acquisitions.

**THE QUALIFICATIONS**

- Robust and energetic accountant, aged 30+ with first-class costing, management reporting and IT skills honed in an international world-class manufacturer.
- Ambitious and tenacious leader with strong interpersonal skills. Team player with affinity to bespoke high-quality manufacturing processes.
- Disciplined analyst and negotiator able to evaluate business development opportunities and allocate resources. Capable of assuming a broader management role in due course.

Leeds 0115 2307774  
London 0171 493 1258  
Manchester 0161 499 1700

**Selector Europe**  
Spencer Stuart

Please reply with full details to:  
Selector Europe, 1st Floor, 16 Chancery Place,  
London EC2A 4EX

## FINANCE DIRECTOR

Exciting Profitable Growth Central London c.£65,000, Car, Benefits

Our client, a profitable and rapidly growing company with a current turnover c.£40m, as well as a well-respected name in its highly competitive market, now seeks to make this key appointment.

Specific responsibilities will include:

- Effective management and development of all aspects of the finance function.
- Practical input on day-to-day operational activities.
- Commercial analysis and advice to assist in driving the business forward.
- Staff leadership and motivation.

Commercial skills and personal qualities are the essential ingredients for the qualified accountant, with a broad financial background, to succeed in this role. In addition to strong technical knowledge you must demonstrate a truly common sense approach to business analysis and development. You must possess a good track of real achievement and contribution and be personally credible to your peer group as well as to your staff. Likewise you must demonstrate realistic entrepreneurial flair in addition to an ability to isolate key, immediate issues. The challenge of the role is substantial, varied and demanding, but the opportunity and potential are equally great.

Interested candidates should write with full CV, quoting current rewards package, to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 3DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref HKW/16143/FL.

**Hoggett Bowers**

THE PSD GROUP

## Outstanding Opportunities in European Corporate Finance

### Highly Attractive Package

UBS is one of the world's largest banks and is a growing force in integrated investment banking. As one of only three AAA-rated financial institutions in the world and the largest Swiss Bank, we are strong in corporate finance, a dominant European equity house, and one of the top lead managers on the issuance of bonds, equities and international syndicated loans. UBS is now poised to realise its objective of becoming a market leader in global investment banking and to do this we must attract and develop the very best people.

Consistently ranked as a top European adviser, UBS offers strategic and tactical advice on mergers, acquisitions and capital raising. Recent high profile transactions include the Forte defence, Preussag's successful bid for Elco and leading the adidas, Merck and Clariant IPOs. Increasing business volumes have resulted in a requirement for a number of talented individuals to join our European Corporate Finance Division.

Candidates will fall into one of the following categories:

- Recently qualified ACAs, MBAs from leading business schools, strategy consultants or graduates from competitor institutions with 2-3 years' corporate finance transaction experience;
- or
- Individuals with the above professional qualifications or backgrounds, and an additional 2-3 years' transaction experience gained in either a rival institution or strategy consultancy.

At both levels, applications are also invited from individuals working within the analytical or strategic functions of 'Blue Chip'/Multinational companies with emphasis on the following sectors: telecommunications, financial institutions, electrical utilities, chemicals, oil and gas, pharmaceuticals, paper and packaging, automotive engineering, hotels and leisure, transport and consumer goods.

All applicants should exhibit strong interpersonal skills, academic excellence, commercial acumen and an entrepreneurial spirit.

European language skills will be advantageous.

Successful candidates will join a meritocratic environment committed to further training, individual development and long-term career planning.

Interested applicants should forward a CV in the strictest confidence to Guy Townsend or Brian Hamill at the address below, quoting reference GT 2187. All direct responses will be forwarded to:

Guy Townsend/Brian Hamill  
103-105 Jermyn Street  
St James's  
London SW1Y 6EE

UBS Limited

An Exceptional Strategic Opportunity with a world class consumer goods company

## Corporate Finance Manager

London  
Package to £90,000

PepsiCo is one of the world's most successful consumer products companies. With 471,000 employees in more than 175 countries, the corporation is an international leader in beverages, the world's largest producer of salty snack foods and the world's largest operator of quick service restaurants. The company has continued to aggressively expand its global business through a mixture of organic growth and acquisition.

Recent internal promotion has created the need for an exceptional individual to join the International Corporate Finance department, based in London and responsible for Europe, the Middle East and Africa. Reporting to the team Director and working within a high calibre professional function, the successful candidate will be responsible for managing the financing of a number of PepsiCo's international operations. Specifically this will include:

- Working closely with operational management and area CEOs/FOs on major acquisition and funding strategies.
- Constantly interacting with group Tax, Legal and Accounting functions in addition to external banks/advisors.
- Evaluating, developing and funding major internal investments.
- Strategically reviewing country operations and recommending structural changes where necessary.
- Working closely with divisions to increase profitability through improved efficiency in financial transactions.



This opportunity will appeal to a highly commercial ACA, MBA or financially orientated generalist (aged 28-35) with 3-4 years relevant experience in a major multi-national corporation. Previous exposure to complex treasury and taxation (US and international) functions is highly desirable. Strong leadership and communication skills are essential as is the ability to manage high calibre cross functional teams on significant international projects.

The rewards include an exceptional benefits package comprising attractive basic salary; high bonus; company car allowance; and generous share option scheme. In addition, the opportunity to develop a 'fast track' career is unrivalled in what is a highly meritocratic environment.

Interested applicants should write, enclosing a brief resume, quoting reference B12362, to our retained consultants, Brian Hamill or Robert Walker at Walker Hamill Executive Selection, 103-105 Jermyn Street, London SW1Y 6EE. Tel: 071 839 4444. Fax: 071 839 5857. Any applications made directly to PepsiCo will be forwarded to Walker Hamill.

PEPSICO

BBC

### Ambitious Finance Professionals

BBC Worldwide Publishing distributes BBC programmes and other intellectual property in all international publishing markets, including magazines, home video, books, audio and multimedia. Turnover is in excess of \$200 million and growing. Three opportunities have now arisen for ambitious, commercially minded, qualified accountants to contribute to the success of the company's growth strategy. Opportunities for longer term career development are good.

To succeed in these positions, you will need to have excellent analytical skills, commercial awareness and the ability to communicate with and win the confidence of managers from all disciplines. You will also have good spreadsheet and other PC skills and a rigorous, questioning approach.

Based West London.

Interested candidates should send their CV and a covering letter (stating current salary) indicating which position they are seeking (quote appropriate ref.) to Paula Horaby, BBC Worldwide Publishing, Room A3078, Woodlands, 80 Wood Lane London W12 0TT by March 18th.

WORKING FOR EQUALITY OF OPPORTUNITY

#### Finance Managers -

#### New Media & Home Video

Salary c. \$35,000 p.a. plus bonus

Reporting to the Finance and Commercial Director but working closely alongside the Directors of New Media and Consumer Publishing respectively, the Finance Managers will be responsible for providing management accounting, commercial support and financial analysis to their businesses, in particular:

- analysing new investments and business opportunities, including deal support.
- interpreting and making key decisions on the management accounts.
- presenting budgets and forecasts.
- advising on working capital management.
- analysing product and area profitability.
- managing royalty accounting.

(Ref: 81274/F)

#### Management

#### Accountant

Salary c. \$30,000 p.a. plus bonus

Reporting to and working closely with the Finance and Commercial Director, the Management Accountant will be a key member of the finance management team. Working on several projects at a time, the work will be very varied and consistently to tight timetables. Responsibilities will include:

- analysing and improving the quality of management information.
- conducting financial analyses across the whole of the BBC Worldwide Publishing business.
- co-ordinating the budgeting and planning process.
- carrying out ad hoc investigations and performance improvement reviews.

(Ref: 81276/F)

## UK Financial Controller

LEASING SUBSIDIARY OF A MAJOR INTERNATIONAL GROUP

Central London £45,000 - £55,000

Our client is a major oil pipeline group controlling the domestic and export transport of oil within and from Russia. Their UK operation, based in London, facilitates the procurement of vital equipment through leasing and on-leasing to maintain the integrity of the pipeline network. Item values can range from several £100,000 to over £100 million, covering specialist and non-specialist equipment.

As Financial Controller and part of a small London team, you will report to the UK Chief Executive fulfilling the role as 'number two' in the business, assisting in the development of the London office and operation. You will provide the Chief Executive with full financial support. The role is hands-on and will cover the establishment of computer systems and financial controls, periodic and statutory reporting, financial planning, raising credit, taxation and all aspects of financial reporting for leases and associated transactions. There will be considerable liaison with other group operators in Moscow and elsewhere as well as with banks, financial consultants and other external advisors.

To apply for this role, you should be a qualified accountant with considerable big ticket leasing experience. Cross-border leasing experience, trade finance experience, some ability in the Russian language or work experience in Russia would be an advantage.

You should be a commercial individual, able to take decisions and to work in a small team, and deal with and understand different cultures. You are likely to be aged 32 to 48. This is an excellent, demanding and wide-ranging commercial, financial management role in an international group.

To apply or find out more, please forward your CV to:

Mark Masson CA at GMS, Goodman Masson Shaw, Crusader House, 143-157 St John Street, London EC1V 4JL. Tel: 0171 336 7711 or Fax your CV on: 0171 336 7792

COOPERMAN MASSON SHAW

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Executive  
Resourcing

## The Group Accountant

This £120m turnover private group is both progressive and a highly successful market leader in premium chilled food manufacturing and distribution. It possesses an excellent reputation for quality products and customer service. Excitingly, growth is set to continue in the future in this demanding environment.

Reporting directly to the Chairman and Chief Executive, the role of The Group Accountant is to ensure that the necessary financial controls are maintained and the regular management information reporting is both appropriate, timely and accurate. The subsidiaries are run autonomously both from a general management and a financial viewpoint, so an important aspect of the role will be to facilitate the information gathering, working closely with colleagues in the subsidiary operations. In addition there will be a considerable number of ad-hoc exercises to carry out.

Candidates should be qualified Graduate Accountants of high calibre. You are highly likely to be in the age range 27-47. Of more importance, you will already be viewed as highly competent, have excellent communication skills, and possess strength of character.

This is a challenging opportunity for the right person, in a quality environment.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to John Elliot, Coopers & Lybrand Executive Resourcing Limited, Temple Court, 35 Bull Street, Birmingham B4 6JT quoting reference JE303 on both envelope and letter.

## DEPUTY FINANCE DIRECTOR

(Prospects of Early Promotion to Finance Director)

Based in Moscow and Helsinki

#### Profile:

- MBA and/or qualified Accountant
- Age: 34 years and older
- Expatriate (preferably with knowledge of Russian language) or Russian native with excellent English and a number of years experience in a western firm.
- Qualifications and Experience should permit the candidate to formulate and manage the Financial Strategy of the Company within the frame of the Corporate Commercial Strategy. Develop the financial/accounting department, automated operating system, organize and supervise the accounting department O&M and systems and procedures.
- Must be able to make an immediate contribution to the commercial strategy and development of the Group.
- Leadership and communications skills, with the ability to participate in high level meetings/negotiations.
- Experience in Food trade and distribution would be an advantage.

This is a demanding role and the ideal candidate will have a proven track record and should be able to demonstrate the experience and ability to develop a Finance Function through a period of growth and changing situations.

Knowledge of Russian Accounting Systems an advantage.

An extremely attractive package will be offered to the selected candidate. Write to Box A5295, Financial Times, One Southwark Bridge, London SE1 9HL.

## APPOINTMENTS

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## Are we thinking alike?

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General Electric is a diversified technology, manufacturing and services company employing 260,000 people worldwide and generating revenues of more than \$70 billion. The thinking behind our business approach is pragmatic and distinctive. We set ourselves apparently impossible business targets - and then we beat them. Our flexibility means we can do business successfully in any culture, in any part of the world. We detest bureaucracy and red tape. Wherever we go, what we do, we are universally acknowledged as phenomenal performers. Our fierce ambition is tempered by a dual commitment to quality and integrity in everything we do. How about you?

We are looking for exceptional business people who recognise a fast route to the top when they see it. Fast, but challenging. Here's the proposition. You join the GE Audit Staff, which is recognised by our own CEO, Jack Welch, as the proving ground for tomorrow's business leaders. Don't be misled by the "Audit" tag, because you don't necessarily have to be an accountant. Certainly you'll spend some time working with GE companies to ensure their financial integrity and compliance but, more importantly, you will also be driving forward strategic growth initiatives and helping to re-engineer key business processes. At a surprisingly early stage in your career, you will be making a decisive impact on the bottom line of a global corporation.

You will generally tackle three different assignments a year, and we mean different. The companies could be involved in anything from aero engines to light bulbs, or from credit card services to network

broadcasting. They could be based anywhere in the world. And they will be looking to drive change and help them to transform their businesses. While all this is going on, you will also benefit from the most sophisticated business training in the world. Permanently on assignment, travelling 100% of the time, the pressures and the challenges are significant. It's not unusual for auditors to be promoted into business leadership roles at a very early stage in their careers. And neither is it surprising when you look at the quality of the people we take into the team.

Disciplines are varied. What is certain is that you will have a superb academic record and two to five years' business or financial experience that has marked you out as an impressive talent. Your analytical skills and business vision will be matched by your personal credibility and professional stature, to contribute in a team orientated environment, to team based solutions. You will relish the opportunities to work in diverse cultures and business arenas - and should be fluent in at least one other language (Asian or European) besides English.

If you think you have what it takes to be a GE business leader, post or fax your cv to the consultants advising on these appointments, Alderwick Consulting, 95 Fetter Lane, London EC4 1EP. Fax: (+44) 171 242 5560. For more information, call us on (+44) 171 242 9191 (weekdays) and (+44) 171 487 1408 or (+44) 181 607 9621 (evenings & weekends). Please note: any applications sent directly to GE will be forwarded to Alderwick Consulting Limited.



GE is an equal opportunity employer

GE

\*Not associated with the English Company of a similar name.

## Director Financiero

Madrid

Hertz de España SA, la subsidiaria, autónoma de la Compañía de alquiler de coches, necesita un Director Financiero muy enérgico y motivado para reforzar su equipo actual de Directores.

Además de dominar tanto el idioma español, como el inglés, el candidato deberá contar con una amplia experiencia en dirección, con capacidad demostrable para reconocer y optimizar las oportunidades comerciales sin comprometer los más altos estándares éticos, al tiempo que mantiene unos controles rigurosos dentro de la Organización. El candidato/candidata controlará un Departamento de cincuenta personas, y será responsable de muchos aspectos, incluyendo Cuentas a Cobrar, Contabilidad General, Tributación, Financiación y Planificación Comercial Estratégica. Será esencial tener experiencia previa en un puesto similar.

Nuestro candidato ideal, deberá tener entre 35 y 40 años de edad, enfoque altamente profesional y estar acostumbrado a desenvolverse en un entorno sujeto a rápidos cambios.

Entre características deseables son las siguientes:

5 años de experiencia práctica en una Compañía Multinacional  
Capaz de estimular el espíritu de equipo y de trabajo  
Capacidad de comunicarse al más alto nivel  
Experiencia en el sector servicios.

El salario y los beneficios adicionales, se corresponderán con la importancia del puesto.

Por favor envíe su CV a James Shipside, Personnel Manager, Hertz Europe Limited, 700 Bath Road, Cranford, Middlesex TW5 9SW.

Las entrevistas se celebrarán en España o en Inglaterra.

**Metz**

Somos una compañía que da igualdad de oportunidades a todos los solicitantes.

## FINANCE DIRECTOR

-Multi-site Manufacturer-

M62 Corridor

to £85,000/car

The client is a profitable £100m, multi-site batch manufacturing company. As the European division of a substantial internationally owned group, it has had the benefit of significant investment in recent years and it plans to build on its strong market position through a combination of organic growth and acquisitions, primarily in continental Europe. Reporting to and working closely with the Chief Executive, the essential task is to assist in developing the strategy and in taking the company forward. There is an established team in place in the finance function and responsibility is for the full financial management of the company, including the secretarial function, tax and treasury. Particular emphasis will be placed on the operational effectiveness and enhancement of internal support to the other Directors and senior management team together with review and involvement in the acquisitions strategy. Candidates, aged 35+, should ideally be graduate Chartered Accountants with experience at plc Director level in an international manufacturing company. Technical excellence and intellectual resilience are required together with a 'hands on' pragmatic management style, strategic thinking ability and a strong supportive approach to the other Board members. This is a forward thinking dynamic company offering excellent potential and a full range of executive benefits. Please forward in absolute confidence a full curriculum vitae to: Adderley Featherstone plc, Bowcliffe Court, Bowcliffe Hall, Bramham, Leeds LS23 6LW. Tel: 01937 841402. Fax: 01937 841403.

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For information on Appointments Advertising please contact:  
Andrew Skarzynski on 0171 873 4054  
Toby Finden-Crofts on 0171 873 3456

## Financial Controller

Luton

£40,000 + car + benefits

Our client, a wholly owned sales and distribution subsidiary of a German manufacturing company with global interests, is embarking on a concerted phase of expansion in the UK and wishes to strengthen the management team by appointing a Financial Controller.

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Interested candidates should send a curriculum vitae, quoting reference no. 2602 to:

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Peter Reader  
Executive Recruitment Services  
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Interested candidates should send comprehensive CVs and salary details, quoting reference CT303 to Janina Harper at KPMG Selection & Search, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE.

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# IT Senior Appointments

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You will be instrumental in creating a centre of excellence capable of supporting our leading edge database marketing operation. The work will include providing marketing data analysis, risk analysis, next generation marketing and risk modelling, system development and the presentation of results to senior level personnel.

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Ref: HN1895FT.

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- Extensive service-management background with major IS/communications provider or user. Experience of delivering or managing major outsourcing-contracts essential. Graduate calibre.
- Strong technical understanding. Excellent negotiation skills matched by first class problem-management ability.
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## IT City Appointments

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## THE QUALIFICATIONS

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Please write or phone in confidence to our advising consultant Jane Moore at:  
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Working in highly focused business systems groups, your role will be to develop OO solutions for complex and dynamic risk systems. The ability to translate business ideas into re-usable components is critical.

You must have a basic understanding of trading products - primarily interest rate based and derivatives - with a working knowledge of Unix, preferably Solaris or HP-UX. Ideally you will have spent at least two years' in the areas of trading risk or front office systems with six months+ in front/middle office.

Ref: 055/96

## Database Architect - Sybase

£30-45,000

A talented Database Architect is required with a detailed understanding of database development concepts and at least two years' financial systems experience, using all Sybase products including supporting development utilising Replication Server.

A background in trading risk or front office systems - primarily interest rate based and derivatives - with six months+ in front/middle office is also required.

Ref: 053/96

## Senior Business Analysts

£45-55,000

Senior Business Analysts must be able to show strong structured analytical experience preferably in an Object Oriented environment with an understanding of how large financial organisations identify and control risk. A good grasp of one or more of the following product areas is required: Fixed Income, Equity, Money Market and Foreign Exchange.

You will have at least two years' experience of a number of front office trading systems with six months+ in front/middle office. In addition, a strong statistical background is required to assist in the definition of risk management methodologies.

Ref: 054/96

## Financial Engineers

£45-55,000

You will typically have at least two years' experience in trading risk or front office environments with six months+ in front/middle office. In addition, a strong statistical background is required to assist in the definition of risk management methodologies.

You must be capable of defining the mathematics behind one or more of the following product ranges: Fixed Income, Equity, Money Market and Foreign Exchange and their derivatives. Your skills will include structured analysis and design in an Object Oriented environment with knowledge of the use of MS Excel or other spreadsheets.

Ref: 052/96

For a detailed discussion regarding any of the above positions please contact us quoting the appropriate reference.  
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the pace is often hectic and the projects are always critical. The successful candidates will be working on some of the most prestigious derivative systems in the bank.

As a bare minimum all interested candidates must have:

- A 2:1 degree or PhD in Maths, Computer Science or Engineering
- A minimum of two years' commercial experience of programming in C on a Unix platform
- A demonstrated track record of hands-on Sybase experience

In addition, the ideal candidate will have worked with:

- Access, Visual Basic and Visual C++ on Windows NT.

Investment Banking experience is not essential but the desire to work in a fast pace trading room environment is a must.

Interested applicants should contact Keith Jones or Kate Bridges on 0171 379 3333 or 0181 788 8368. Alternatively send or fax a detailed CV to them at Robert Walters Associates, 25 Bedford Street, London, WC2E 9EP. Fax: 0171 915 8714. E-mail: kate.bridges@rwa.co.uk

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## MARKET REPORT

## Oil prices strengthen as refiners hunt for supplies

By Robert Corzine

Oil prices firmed yesterday as refiners continued to scramble for supplies.

The price of the benchmark Brent blend for April delivery was \$18.30 a barrel in late London trading, 15 cents up on Wednesday's closing price.

Oil traders attributed the recent price rises to continuing cold weather in parts of Europe, the US and Asia, and to the "just in time" inventory management techniques increasingly used by refiners.

A sharp reduction in inventories has helped refiners cut costs as they struggle to overcome thin refining margins. But it has made oil markets more volatile because refiners rush to buy oil in response to

cold weather or a possible disruption of supplies.

The rise in the prompt price has been "extraordinary", said Mr Lindsey Horn, a trader with Lehman Brothers investment bank in London. "There is a mad scramble for crude oil," he said, but warned the market "could flip within a week".

The impact of the new inventory management techniques on the oil industry was highlighted yesterday by the International Energy Agency, the Paris-based body which monitors energy markets.

In its monthly oil market report the IEA notes that demand for oil from the Organisation of Petroleum Exporting Countries this year will depend on the pace at which world oil stocks are rebuilt. "A crucial

factor affecting the call on Opec crude will be the extent to which OECD stocks are rebuilt from the current, historically low levels," it said.

The agency estimated that the call on Opec crude oil plus stock changes would average 24.4m barrels a day in the remaining three quarters of 1996. It said Opec supply in February was 25.9m b/d, well above its production ceiling of 24.5m b/d.

Opec members Venezuela and Indonesia boosted their production in February, the report said. There was also increased output in Nigeria and the neutral zone between Saudi Arabia and Kuwait. These rises offset declines in Iran, the United Arab Emirates, Algeria and Libya.

## Low grain stocks prompt set-aside debate

Geoff Tansey on estimates that the 1996 grain harvest has to be 9% higher than last year

European and American farmers may have to bring set-aside agricultural land back into production in order to rebuild low world grain stocks, according to Mr Lester Brown, director of the Worldwatch Institute, a think-tank which monitors food availability.

World carry-over grain stocks in 1996 are down to 48 days of world consumption, the lowest level on record. Mr Brown says rebuilding stocks "poses an immediate challenge to the international community" to restore a minimal level of food security.

This means rebuilding stocks to at least 60 days of consumption, and will require a 9 per cent increase in the 1996 harvest. In order to achieve this he says the EU "should reconsider its decision to hold out 10 per cent of its cropland in 1996". Mr Brown also suggests that in the longer term the US can bring up to half the 38m acres of land in its Conservation Research Programme back into production.

"The experience of the last 35 years shows that whenever grain stocks drop below 60 days, prices start climbing, becoming highly volatile," he says.

Dr Per Pinstrup-Andersen, director general of the International Food Policy Research Institute, issued a similar warning in January. "Bad

weather this year could send prices skyrocketing, because world grain stocks are so low."

However he added that "with normal weather, prices should fall this year as grain production increases faster than consumption".

The 1995 grain harvest of 1.685bn tonnes was 63m tonnes below grain consumption, with the result that carry-over stocks dropped from 266m tonnes in 1995 to 231m tonnes in 1996, according to Mr Brown. He calculates that the 9 per cent increase - or 151m tonnes - required to remedy the shortfall includes 65m tonnes to eliminate the deficit from last year, 26m tonnes to cover the growth in world population and 60m tonnes to rebuild stock levels to 60 days.

Mr Brown says the "soaring growth in the demand for grain occurring in Asia as the region industrialises" will make it hard to rebuild stocks. Mr Brown caused controversy last year with predictions that China's grain import requirements would reach about 200m tonnes in 2030 - roughly equal to total world grain exports last year - and could go even higher. The idea that China would be heavily dependent on imported grain provoked fierce criticism from the Chinese, as Brown notes in his book *Who will feed China? Wake-up call for a small planet*.

Under pressure: world grain supply is at a record low, while consumption is set for strong growth

Such estimates are too high according to Mr Nicholas Alexandratos, chief of the Global Perspective Studies Unit at the UN Food and Agriculture Organisation.

Mr Alexandratos accepts Mr Brown's basic figures on the growth in demand for cereals, but believes the Chinese will be able to increase production greatly and disagrees with many of Mr Brown's assumptions, including those about a large decline in the area planted with cereals.

"New data indicate that China's cultivated land is about 30 per cent above that used by Brown," he says in a review of Mr Brown's book to be published in *Agricultural Economics*, a journal. He suggests that

China's import requirements are likely to be about 30m tonnes to 50m tonnes in 30 years' time.

Mr Alexandratos also rejects Mr Brown's assumption of a drastic decline in the rate of growth of world cereal production to an estimated 0.5 per cent a year, although he accepts that the rate might be lower than it has been in the past.

He cites two reasons for this - a slowdown in population growth coupled with a failure of incomes and agricultural production to grow sufficiently in sub-Saharan Africa and south Asia to meet food needs.

For poor farmers and others depending on agriculture, rising crop prices are good if they

increase their incomes, notes Dr Pinstrup-Andersen. However he and Mr James Garrett, also from IFPRI, warn that "public policies to help deal with rising prices must not harm poor producers while helping poor consumers". In *Rising food prices and falling grain stocks: short-run blips or new trends?* the two also criticise the EU's tax on wheat exports and the South African decision in mid 1995 to halt all new grain export contracts. These measures, they say, prevent farmers benefiting from higher international prices.

\*Available from IFPRI, 1800 Seventeenth Street, NW, Washington DC 20056-5006, USA. Fax 1 202 461 4439.

## Delays over land dispute may threaten Queensland zinc mine

By Nikid Tait, in Melbourne

The US\$850m Century zinc project in northern Queensland could be in doubt because of delays caused by negotiations with local aboriginal groups, RTZ-CRA, the Anglo-Australian mining group, hinted yesterday.

Mr Leon Davis, chief operating officer, repeated warnings that these delays could endanger the relationship with Pasminco's 210,000-tonnes-a-year Budei smelter in the Netherlands, which is essential to both projects.

Century, scheduled to produce 450,000 tonnes of zinc in concentrate a year, offers the only substantial source of "clean concentrates" Budei needs to meet environmental restrictions imposed by the Dutch authorities.

Century needs to start buy-

ing from Century by 1998 to meet these environmental commitments.

But the timing of the Century mine development has become uncertain because the High Court, Australia's highest judicial authority, ruled that a native title claim by the Waanyi people for land encompassing the mine site could be registered with the new Native Title Tribunal. This triggered a formal negotiation period.

Mr Davis sounded pessimistic yesterday when he said that the constraints of the Pasminco timetable were now "unlikely to be met".

He acknowledged that the Australian zinc producer might be able to change its production schedules or renegotiate with the Dutch authorities.

But if the Pasminco contract - which would account for about half Century's output - fell by the wayside, he said

that the Century project might have to be scaled down, putting its viability in question.

More positively Mr Davis, speaking during the presentation of RTZ-CRA's annual results, said the group had already looked at the possibility of uranium mining developments in Australia in the wake of last week's federal election results. The victorious Liberal-National coalition has said that it will abandon the Labor party policy which restricted uranium mining to three sites, one of which is worked out.

But he cautioned against expectations of early development. In spite of the recent uptick in spot prices, he said that these would not justify new mining activity. "We have to go out and see what long-term contracts we can get," he said, adding that feasibility studies would then have to be conducted.

## Grenada suspends banana exports over quality fears

By Caroline James, in Kingston

Banana exports from Grenada have been suspended because of poor quality fruit, according to the Windward Islands Banana Development Company, the main marketing agency in the islands of Dominica, Grenada, St Lucia and St Vincent. The islands are the main source of bananas consumed in Britain.

"The action is justified because our quality is indeed terrible," said Mr Dudley Andrew, chairman of Grenada's banana producers' union, after the one-month suspension was announced. The suspension followed a request from Mr John Compston, the prime minister of St Lucia, that poor quality fruit from Grenada should not be accepted for export. Meetings are being held in Grenada this week to discuss how to improve the island's bananas.

## Bank offers full agricultural hedge

By Deborah Hargreaves

Midland Bank says it has produced a more effective hedge for "green" currency risk on agricultural commodities with its new forward and options contracts.

"We are providing a 100 per cent hedge for the currency risk rather than an 80 per cent hedge and we've also made the products cheaper," says Ms Jayahree Dave, manager of UK derivatives sales.

Food companies are exposed to currency fluctuations on

many of their raw materials because agricultural products are priced in Euro and then translated into national currencies by a "green" exchange rate. This "green" rate is devalued regularly which tends to push prices up.

However many food companies are reluctant to buy hedging products. "Many buyers of agricultural commodities don't understand that although they are buying and selling in the UK, they can still be exposed to currency risk," according to Ms Joan Noble,

a European food consultant. Ms Dave says that companies are beginning to show an interest in a green hedge and that one food manufacturer has used the bank's new product.

The price of sugar went up 10 per cent last year because of green rate changes, although there have been no devaluations since last July. Ms Noble says companies should consider hedging now in preparation for periods of currency instability, when it will become much more expensive to put on a hedge.

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Associated Metals Trading)

ALUMINIUM, 99.99% (t/tonne)

Close 1684-85 1615-14

Previous 1684-85 1615-14

High/Low 1678/1677 1610/1608

AM Official 1678-79 1610-11

Karb close 1610-11 1610-11

Open int. 21,000

Total daily turnover 53,000

ALUMINIUM ALLOY (t/tonne)

Close 1350-55 1350-55

Previous 1350-55 1350-55

High/Low 1340-50 1350-55

AM Official 1340-45 1350-55

Karb close 1350-55 1350-55

Open int. 5,119

Total daily turnover 856

LEAD (t/tonne)

Close 742-5 742-5

Previous 742-5 742-5

High/Low 735-45 742-5

AM Official 735-45 742-5

Karb close 742-5 742-5

Open int. 37,531

Total daily turnover 14,591

NICKEL (t/tonne)

Close 7710-50 7710-50

Previous 7710-50 7710-50

High/Low 7650-25 7710-50

AM Official 7650-25 7710-50

Karb close 7710-50 7710-50

Open int. 41,142

Total daily turnover 10,347

ZINC (t/tonne)

Close 5955-55 6025-30

Previous 5955-55 6025-30

High/Low 5910-50 6025-30

AM Official 5910-50 6025-30

Karb close 6025-30 6025-30

Open int. 15,286

Total daily turnover 7,454

ZINC, special high grade (t/tonne)

Close 1039-40 1055-55

Previous 1039-40 1055-55

High/Low 1030-35 1055-55

AM Official 1030-35 1055-55

Karb close 1055-55 1055-55

Open int. 22,701

Total daily turnover 22,701

COPPER, grade A (t/tonne)

Close 2552-54 2519-20

Previous 2552-54 2519-20

High/Low 2552-54 2519-20

AM Official 2552-54 2519-20

Karb close 2519-20 2519-20

Open int. 170,550

Total daily turnover 55,525

LME ALUMINUM 2 1/2% RATE 1.5204

LME CLOSING 2 1/2% RATE 1.5300

Spot 1.5303 3 mths 1.5277 6 mths 1.5247 9 mths 1.5220

HIGH GRADE COPPER COMEX

Sett Day's

price change High Low Vol

Mar 118.20 +0.10 118.40 118.20 798 4,761

Apr 117.80 +0.25 117.80 118.25 1,462

May 117.20 +0.35 117.40 118.40 3,594 18,018

Jun 115.30 +0.20 115.50 117.50 2,718 14,708

Jul 114.00 +0.15 114.20 117.00 49 2,870

Sep 111.50 -0.05 112.00 112.00 49 2,870

Total 5,294 41,661

PRECIOUS METALS

## LONDON BULLION MARKET

(Prices supplied by N.M. Rothschild)

Gold (Troy oz) \$ price £ equiv SFR equiv

Close 393.70-394.10

Opening 394.20-394.60 258,355 475,518

Morning fix 394.20 257,569 475,505

Afternoon fix 393.90

Days Low 391.30-391.70

Previous close 393.60-393.80

Local Lm Mean Gold Leasing Rates (Yo US\$)

1 month 4.29 6 months 3.62

2 months 4.01 12 months 3.35

3 months 3.89

Silver fix p/roy at US \$57.25

Spot 351.50 543.05

3 months 351.50 543.05

6 months 351.50 543.05

1 year 351.50 543.05

5 price £ equiv

Gold Coins 393.90 257,559

Kruggerand 405.40-407.95

Maple Leaf 52.45 60-62

## Precious Metals continued

## GOLD COMEX (100 Troy oz, \$/troy oz)

Sett Day's

price change High Low Vol

Mar 393.3 +0.1 393.3 393.3 1

Apr 393.1 +0.2 393.1 393.1 1

May 392.9 +0.3 392.9 392.9 1

Jun 392.7 +0.4 392.7 392.7 1

Jul 392.5 +0.5 392.5 392.5 1

Total 392.5 392.5

PLATINUM NYMEX (50 Troy oz, \$/troy oz)

Sett Day's

price change High Low Vol

Mar 413.2 +0.4 413.2 413.2 1

Apr 413.0 +0.5 413.0 413.0 1

May 412.8 +0.6 412.8 412.8 1

Jun 412.6 +0.7 412.6 412.6 1

Jul 412.4 +0.8 412.4 412.4 1

Total 412.4 412.4

PALLADIUM NYMEX (100 Troy oz, \$/troy oz)

Sett Day's

price change High Low Vol

Mar 136.30 +0.45 136.30 136.30 1

Apr 136.25 +0.40 136.25 136.25 1

May 136.20 +0.35 136.20 136.20 1

Jun 136.15 +0.30 136.15 136.15 1

Jul 136.10 +0.25 136.10 136.10 1

Total 136.10 136.10

SILVER COMEX (50,000 Troy oz, \$/troy oz)

Sett Day's

price change High Low Vol

Mar 541.0 +0.8 541.0 541.0 1

Apr 540.8 +0.7 540.8 540.8 1

May 540.6 +0.6 540.6 540.6 1

Jun 540.4 +0.5 540.4 540.4 1

Jul 540.2 +0.4 540.2 540.2 1

Total 540.2 540.2

ENERGY

## CRUDE OIL NYMEX (42,000 US gal, \$/barrel)

Sett Day's

price change High Low Vol

Mar 18.98 -0.21 18.98 18.98 1

Apr 18.92 -0.15 18.92 18.92 1

May 18.84 -0.10 18.84 18.84 1

Jun 18.76 -0.08 18.76 18.76 1

Jul 18.68 -0.06 18.68 18.68 1

Total 18.68 18.68

HEATING OIL NYMEX (42,000 US gal, \$/barrel)

Sett Day's

price change High Low Vol

Mar 54.00 -0.22 54.00 54.00 1

Apr 53.92 -0.11 53.92 53.92 1

May 53.84 -0.10 53.84 53.84 1

Jun 53.76 -0.09 53.76 53.76 1

Jul 53.68 -0.08 53.68 53.68 1

Total 53.68 53.68

GAS OIL NYMEX (10,000 tonnes, \$/tonne)

Sett Day's

price change High Low Vol

Mar 183.00 +0.75 183.00 183.00 1

Apr 182.75 +0.70 182.75 182.75 1

May 182.50 +0.65 182.50 182.50 1

Jun 182.25 +0.60 182.25 182.25 1

Jul 182.00 +0.55 182.00 182.00 1

Total 182.00 182.00

UNLEADED GASOLINE NYMEX (42,000 US gal, \$/barrel)

Sett Day's

price change High Low Vol

Mar 58.40 -0.35 58.40 58.40 1

Apr 58.30 -0.34 58.30 58.30 1

May 58.20 -0.33 58.20 58.20 1

Jun 58.10 -0.32 58.10 58.10 1

Jul 58.00 -0.31 58.00 58.00 1

Total 58.00 58.00

## GRAINS AND OIL SEEDS



## MARKETS REPORT

## Dollar treads water ahead of US labour report

By Philip Gawth

Foreign exchange markets had a quiet day yesterday with most market participants choosing to stay on the sidelines ahead of the US jobs report today.

The dollar held onto the overnight gains made during Asian trading in the European morning, but then started to slip as dealers closed out positions before the London close.

It closed at DM1.4785, from DM1.4755.

In Europe, the feature of the day was interest rate cuts in France and Norway. The Bank of France cut its intervention rate to 3.5 per cent, from 3.9 per cent, while the Norwegian central bank cut its deposit rate to 4.5 per cent, from 4.75 per cent.

The French franc rose to a six-week high against the D-Mark, of FF4.4214, after the cut, before retreating to finish at FF4.423.

The main statistical release of the day was the 0.5 per cent drop in German GDP in the fourth quarter, which encouraged hopes of further interest rate cuts in Europe.

The South African rand suffered a slight reversal, despite President Mandela being released from hospital with a clean bill of health after two days of tests. It finished at R3.915 against the dollar, from R3.975.

Mr Chris Stals, governor of the Reserve Bank, said the bank had spent \$1.38bn on intervention to support the rand in the last two weeks of February.

Although the dollar finished soft in Europe, some of the bullish sentiment evident at

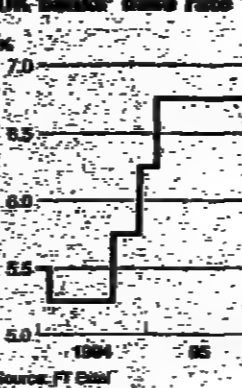
the start of the year has returned. The fortnightly IDEA survey, of 28 trading houses in the main centres, found that the market was more bullish on all time horizons.

"The return of German easing expectations, the relief that Japanese rates may not be increasing in the near-term and the removal of Fed easing expectations from the front end of the curve were cited as the major bullish factors," the survey found.

Mr Jonathan Griggs, economist at Barclays in London, said the heavy intervention by the Bank of Japan "changed the market psychology in that there are not many people who think the dollar will test Y100 on a three month horizon."

The general reluctance on the part of companies and institutions to take substantial long dollar positions, despite the bullish mood, may reflect their existing high dollar exposure. The IDEA survey found respondents were 67 per cent

UK banks' base rate



Source: FT Com

recovery story could be good for the dollar," said Mr Farley.

"The market's gradual return to a stronger dollar/lower German rates view was helped by comments from Mr Hans Tietmeyer, the Bundesbank president. Briefing the media, he said: 'I see no change upward in rates. I see no reason for a move upward.'"

He said it was a mistake to look at the fixed-rate repo as the start of an upward move in interest rates.

Mr David Cocker, economist at Chemical Bank in London, said: "Generally, there is a lethargy in the cross European markets, which is likely to remain as long as the outlook on the date of starting a single currency is uncertain. The market cannot seem to make its mind up between the optimistic ramblings of politicians that suggest all is well for meeting the Maastricht criteria in 1997, and the hard economic evidence that suggests it is not."

He said that the budget season in Autumn would provide an impetus for change, with D-Mark strength the likely outcome.

UK markets will be poised this morning to see whether a rate cut was agreed at the monthly monetary meeting yesterday. Mr Stephen Lewis of the London Bond Broking company warned that Mr Kenneth Clarke, the chancellor, might prefer to keep his powder dry, delaying a rate cut to closer to a May 1997 election.

But Mr Griggs of Barclays said: "I would be very surprised if the chancellor foregoes an opportunity to cut rates into a market that is very much expecting it."

OTHER CURRENCIES

March 7  
Sterling 41.894 41.823 27.100 27.200  
Euro 121.21 21.28 142.00 142.80  
Yen 149.30 149.30 300.00 300.00  
Swiss 1.4785 1.4772 1.4784 1.4785  
Pound 1.4785 1.4772 1.4784 1.4785  
New Zealand 1.4785 1.4772 1.4784 1.4785  
A\$ 1.4785 1.4772 1.4784 1.4785

## POUND SPOT FORWARD AGAINST THE POUND

Mar 7		Closing mid-point	Change on day	Set-off	Day's mid	One month	Three months	One year
Europe		15.1708	-0.0008	0.001	15.1698	15.1698	15.1698	15.1698
Australia	(A\$)	0.47968	-0.1289	815	120	48.5370	48.7770	48.7770
Belgium	(Bfr)	46.9386	-0.0251	355	460	8.7528	8.7177	8.7177
Denmark	(DKr)	0.79344	-0.0143	277	-17	4.7048	7.7070	7.7070
France	(Ffr)	7.7484	-0.0055	436	-40	7.7482	7.7478	7.7478
Germany	(M)	0.79344	-0.0143	277	-17	4.7048	7.7070	7.7070
Greece	(D)	386.586	+1.0009	414	718	370.445	389.644	389.644
Italy	(L)	0.9732	-0.0006	724	-70	0.9745	0.9719	0.9719
Netherlands	(G)	2382.67	+0.89	205	338	2383.76	2380.04	2380.04
Portugal	(Pta)	120.478	-0.191	815	138	120.503	120.760	120.760
Spain	(P)	2.5333	-0.0077	277	-17	2.5332	2.5331	2.5331
Norway	(Nkr)	0.9338	-0.0185	367	-41	0.9461	0.9358	0.9358
Sweden	(Skr)	234.558	+0.551	590	-738	235.232	234.186	234.186
Switzerland	(Sfr)	180.448	-0.132	389	598	181.615	180.574	180.574
United Kingdom	(Sterling)	1.5578	-0.0029	570	385	1.5622	1.5578	1.5578
USA		1.2108	-0.0034	186	-302	1.2219	1.2179	1.2179
South Africa	(Rand)	1.04490						
Asia								
Argentina	(Peso)	1.5897	-0.0005	388	-301	1.5801	1.5820	1.5820
Brazil	(R)	1.5058	-0.0018	059	-059	1.5059	1.4871	1.4871
Canada	(C\$)	2.0823	-0.0119	875	-600	2.0950	2.0921	2.0921
India	(Rupee)	1.5567	-0.0275	821	-938	1.6088	1.5443	1.5443
Japan	(Yen)	1.0379	-0.0003	288	-301	1.0380	1.0380	1.0380
Mexico (New Pes)								
South Africa	(Rand)							
Latin America								
Australia	(A\$)	2.0031	-0.0028	334	-387	2.0267	1.9940	1.9940
Hong Kong	(H\$)	11.8310	-0.0044	307	-209	11.8333	11.7769	11.7769
India	(Rupee)	102.9150	-0.49	340	-359	94.4038	91.8720	91.8720
Japan	(Yen)	7.6701	-0.0001	307	-209	7.6701	7.6701	7.6701
Malaysia	(M)	161.109	-0.107	815	138	161.210	161.210	161.210
Netherlands	(G)	3.8843	-0.0028	829	-57	3.8857	3.8858	3.8858
New Zealand	(NZ\$)	2.2782	-0.0008	111	-728	2.2785	2.2589	2.2589
Philippines	(Peso)	40.0035	-0.0151	238	-568	40.0095	39.9228	39.9228
Singapore	(S\$)	36.5571	-0.0002	303	-205	36.5578	36.5578	36.5578
South Africa	(Rand)	1.0121	-0.0041	840	-942	1.0177	1.0122	1.0122
South Korea	(Won)	119.011	+1.31	038	088	119.038	119.038	119.038
Taiwan	(T\$)	42.0708	-0.0188	385	-778	42.0730	41.8955	41.8955
Thailand	(Baht)	36.5571	-0.0004	488	-302	36.5578	36.5578	36.5578
USA								
Europe								
Asia								
Latin America								
Australia								
Hong Kong								
India								
Japan								
Malaysia								
Netherlands								
New Zealand								
Philippines								
Singapore								
South Africa								
South Korea								
Taiwan								
Thailand								
USA								







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## WORLD STOCK MARKETS

EUROPE									
Index	High	Low	Open	Close	Change	Vol	High	Low	Open
Austria (Mar 7/50)									
ATX	1281	1278	1278	1278	-3	100	1278	1278	1278
Belgium (Mar 7/100)									
BEX	3450	3445	3445	3445	-5	100	3445	3445	3445
France (Mar 7/100)									
CAC	3450	3445	3445	3445	-5	100	3445	3445	3445
Germany (Mar 7/100)									
DAX	1281	1278	1278	1278	-3	100	1278	1278	1278
Italy (Mar 7/100)									
FTSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Spain (Mar 7/100)									
IBEX	1281	1278	1278	1278	-3	100	1278	1278	1278
Sweden (Mar 7/100)									
OMX	1281	1278	1278	1278	-3	100	1278	1278	1278
Switzerland (Mar 7/100)									
SIX	1281	1278	1278	1278	-3	100	1278	1278	1278
UK (Mar 7/100)									
FTSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Netherlands (Mar 7/100)									
AEX	1281	1278	1278	1278	-3	100	1278	1278	1278
Portugal (Mar 7/100)									
BVL	1281	1278	1278	1278	-3	100	1278	1278	1278
Greece (Mar 7/100)									
ATHEX	1281	1278	1278	1278	-3	100	1278	1278	1278
Ireland (Mar 7/100)									
ISEQ	1281	1278	1278	1278	-3	100	1278	1278	1278
Finland (Mar 7/100)									
HEX	1281	1278	1278	1278	-3	100	1278	1278	1278
Denmark (Mar 7/100)									
OMXC20	1281	1278	1278	1278	-3	100	1278	1278	1278
Norway (Mar 7/100)									
OSLO	1281	1278	1278	1278	-3	100	1278	1278	1278
Poland (Mar 7/100)									
WSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Czech Republic (Mar 7/100)									
PSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Hungary (Mar 7/100)									
BUX	1281	1278	1278	1278	-3	100	1278	1278	1278
Slovak Republic (Mar 7/100)									
SSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Slovenia (Mar 7/100)									
LJSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Croatia (Mar 7/100)									
BELEX	1281	1278	1278	1278	-3	100	1278	1278	1278
Bulgaria (Mar 7/100)									
BSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Romania (Mar 7/100)									
BVB	1281	1278	1278	1278	-3	100	1278	1278	1278
Russia (Mar 7/100)									
RTS	1281	1278	1278	1278	-3	100	1278	1278	1278
Ukraine (Mar 7/100)									
KHSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Turkey (Mar 7/100)									
BIST	1281	1278	1278	1278	-3	100	1278	1278	1278
Israel (Mar 7/100)									
TASE	1281	1278	1278	1278	-3	100	1278	1278	1278
South Africa (Mar 7/100)									
JSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Egypt (Mar 7/100)									
EGX	1281	1278	1278	1278	-3	100	1278	1278	1278
India (Mar 7/100)									
BSE	1281	1278	1278	1278	-3	100	1278	1278	1278
China (Mar 7/100)									
SSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Japan (Mar 7/100)									
Nikkei	1281	1278	1278	1278	-3	100	1278	1278	1278
Korea (Mar 7/100)									
KOSPI	1281	1278	1278	1278	-3	100	1278	1278	1278
Hong Kong (Mar 7/100)									
HSI	1281	1278	1278	1278	-3	100	1278	1278	1278
Taiwan (Mar 7/100)									
TSEI	1281	1278	1278	1278	-3	100	1278	1278	1278
Thailand (Mar 7/100)									
SET	1281	1278	1278	1278	-3	100	1278	1278	1278
Malaysia (Mar 7/100)									
FTSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Singapore (Mar 7/100)									
STSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Philippines (Mar 7/100)									
PSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Indonesia (Mar 7/100)									
JSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Vietnam (Mar 7/100)									
VSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Cambodia (Mar 7/100)									
CCSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Laos (Mar 7/100)									
LSSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Myanmar (Mar 7/100)									
MYSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Nepal (Mar 7/100)									
NSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Pakistan (Mar 7/100)									
PSX	1281	1278	1278	1278	-3	100	1278	1278	1278
Bangladesh (Mar 7/100)									
DSE	1281	1278	1278	1278	-3	100	1278	1278	1278
Sri Lanka (Mar 7/100)									
CESE	1281	1278	1278	1278	-3	100	1278	1278	1278
Sri Lanka (Mar 7/100)									
CESE	1281	1278	1278	1278	-3	100	1278	1278	1278

To be a world leader in diverse business you need the very best scientists and engineers. Rockwell has 17,000 of them




## US INDICES


Dow Jones	6000	5950	5950	5950	-50	100
Industrials	6000	5950	5950	5950	-50	100
Home Bldg	1000	990	990	990	-10	100
Transport	2000	1950	1950	1950	-50	100
Utilities	2200	2150	2150	2150	-50	100
DJ Ind. Day's High	6000	5950	5950	5950	-50	100
Day's High	6000	5950	5950	5950	-50	100
Standard and Poor's Composite	6000	5950	5950	5950	-50	100
Industrials	7000	6950	6950	6950	-50	100
Financial	6700	6650	6650	6650	-50	100
NYSE	3000	2950	2950	2950	-50	100
AMEX	1000	990	990	990	-10	100
NASDAQ	1800	1750	1750	1750	-50	100
■ RATIONS						
Dow Jones Ind. Div. Y	6000	5950	5950	5950	-50	100
S & P Ind. Div. Yield	6000	5950	5950	5950	-50	100
S & P Ind. P/E Ratio	6000	5950	5950	5950	-50	100
■ NEW YORK ACTIVITY						
Wednesday	Stocks	10,672,000				
K-Mid	10,672,000					
Midcap Tech	10,672,000					
Vol. Network	7,503,400					
Vol. Start	8,301,200					
Company	5,756,200					
Trans. Inst.	4,300,200					
Vol. Inst.	3,451,000					
Microcap	3,945,000					
Single Tech	3,245,700					
	Open					
■ S&P 500						
Mar	651.50	651.50	651.50	651.50	-50	100

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**4. How about March?**

Cowdell	51	555	6%	64%	64%	+	Kemper	0.22	14	277	17%	17%	17%	+	Trammell	10	1874	8%	64%	64%	+	
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# Spain

Financial Times. World Business Newspaper.

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## II EUROPEAN BUSINESS PROPERTY

■ Belgium and the Netherlands: by Lionel Barber and Simon London

## Resilient and subdued

Brussels, as Europe's capital, has the edge in drawing power over its neighbours

Thanks to the ever-expanding presence of the EU's principal institutions – the Council of Ministers, the European Commission, and the European Parliament – the Brussels property market has remained remarkably resilient.

While rents in London and Paris have dropped as much as 50 per cent, rents in Brussels have fallen only by around 10 per cent to 15 per cent from the boom levels of the early 1990s.

The EU's enlargement in January 1995, which took in Austria, Finland, and Sweden, has fuelled the need for more administrative space.

The trend is likely to continue in the light of the Union's pledge to absorb new members from central and eastern Europe, as well as Cyprus and Malta, around the turn of the century.

For companies, Brussels remains one of the least expensive office locations in western Europe in terms of office rental and capital values – though companies are starting to complain about the high level of taxes inside the city's 19 communes.

Mr Michael Bamber, managing director of Richard Ellis in Brussels, says the vacancy rate in Brussels is about 8 per cent, mostly in older buildings. That amounts to about 8m sq m of stock. "Rents in the modern buildings are holding firm because the vacancy rate has been reduced," he says, "but rents are still falling in the older buildings."

He puts the rent level for a typically modern, refurbished building at around BF7,900 per square metre per annum. Restrictions on development in the centre of Brussels – with the exception of the Quartier Léopold which houses the main EU institutions – are encouraging companies to migrate to the periphery in areas such as Waterloo and Heysel.

The amount of new space in the periphery fell by 53 per cent, according to a survey by Knight Frank & Rutley which reported record take-up in 1995 of 430,000 sq m.

Recent moves include Bristol-Meyers Squibb, the US pharmaceutical company, Uni-

lever, the Anglo-Dutch consumer products group, and Hermes, the European rail consortium. Mr Jean-Claude Vandecasteele, general manager at Knight Frank & Rutley, points out that Brussels is also attracting newcomers such as Chrysler and Cable & Wireless.

In an effort to stimulate the investment market, the government last year introduced a

months, picking up land and property in a prime location in Diegem, between Nato headquarters and nearby Zaventem airport for £13m.

Slough bought a warehouse and office from IBM, secured a subsequent leaseback arrangement to release income; and it has a 19.3 acre site to match its earlier 8.5 acre site bought from Goodyear earlier in the year.

activity last year. But there is palpable disillusionment with the office investment market and a gradual shift in favour of the retail sector.

Property agents estimate that the big Dutch companies and funds committed about F12.8bn to commercial property in 1995, an increase of about 20 per cent. Acquisitions of shops and shopping centres accounted for the lion's share of this total.

"Dutch funds will return to the office market, the question is when and at what yield. We don't know the answer yet," says Mr Karel Abbenes of Jones Lang Wootton in Amsterdam.

Even so, the Dutch retail sector faces uncertainties all its own. Retailers' margins are under pressure in an environment of very low consumer spending growth and minimal inflation.

Moreover, the established presumption against out-of-town retail development is slowly being relaxed by government.

The stock of out-of-town retail space is gradually increasing and this could put downward pressure on rents in some locations.

The office market has good reason to be thankful for the liquidity provided by big German property funds.

Prime offices remain the favoured investment medium for these funds and the Netherlands is regarded as offering higher yields than Germany but with little currency risk.

About F170bn was spent last year by German open-ended funds, with more big deals on the way this year.

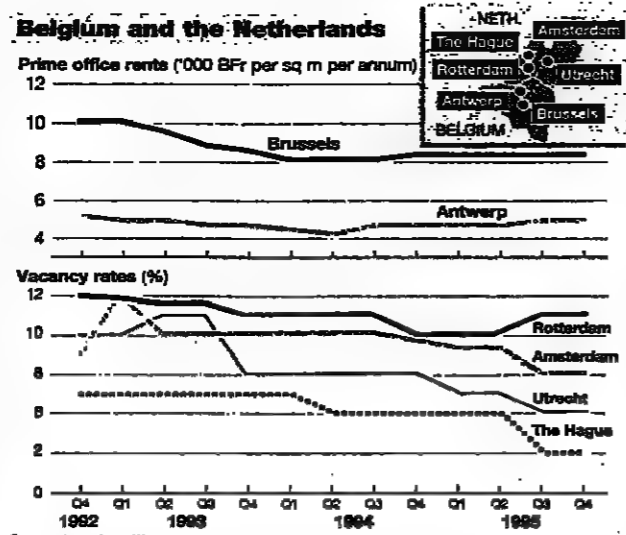
Despite the second largest open-ended fund, has agreed to build a new 55,000 sq m office facility for the Dutch government in The Hague, in what will be one of the country's largest development projects.

Spending by German funds is the main reason why prime office yields in the Netherlands have declined by perhaps a quarter of a percentage point over the last year to about 6.75 per cent.

In contrast, secondary office property yields have been gradually trending upwards.

There is every sign that the Dutch office market will continue to be favoured by German funds.

Yields remain about 1.5 percentage points higher than in Germany, yet the gulf remains firmly anchored to the D-Mark, which means that the Frankfurt-based funds are taking little currency risk.



new more flexible financial instrument to entice private investors into the property market rather than leaving the field to the big insurance companies. The instruments – known as Sicafis – are investment funds which do not

Slough Estates says Sicafis have been a useful addition to the market. It has been in one of the biggest deals in Brussels in recent months

involve capital gains tax or income tax, just a withholding tax on the paid dividend.

Mr David Simons, Slough Estates' group executive director for continental Europe, says the Sicafis have been a useful addition to the market.

Slough has been involved in one of the biggest investment deals in Brussels in recent

■ Spain: by Tom Burns

## Housing holds the key

The markets had hoped for a clearer victory in the election but still expect a recovery

Property in Spain spent last year hovering about the same depressed levels of 1994. But some sensed 1996 would bring about changes for the better. These optimists were almost wholly domestic property investors. This was, in itself, interesting, for rebounds in Spain tend to be led by foreigners. In the event, the movement in the market was due to Spanish private investors and a clutch of domestic insurance companies such as La Mutua Madrileña which bought a twin-tower landmark in central Madrid, the Torres de Colón, from the Heron group for Ptas150m.

This acquisition, and smaller deals by Agrupación Mutua, Catalana Occidente and Crédito y Caución, both insurance companies, were fuelled by the obligation of the domestic insurance sector to hold property assets. But there appeared to be more to such movement than merely meeting regulatory requirements.

On the home side, those who did not take the plunge looked as if they were poised to do so. There was an air of expectation because domestic investors were taking note of political and economic prospects which, they believed, pointed to an improved business climate.

More hesitant foreign investors did not see value in the market and stayed out. It is possible that this cautious foreign view of Spain is essentially misplaced because it fails to take sufficient account of encouraging domestic economic fundamentals. Spain's gross domestic product, despite a slowdown in the second half of last year, is reckoned to have shown a respectable 3 per cent growth for 1995, up from 1.9 per cent the previous year. A similar performance is forecast as achievable this year.

More importantly, the Bank of Spain initiated a downward trend in its benchmark interest rates at the beginning of the year when it anticipated a sharp fall in the consumer price index in February that brought headline inflation to below 4 per cent. This was its lowest level since 1993.

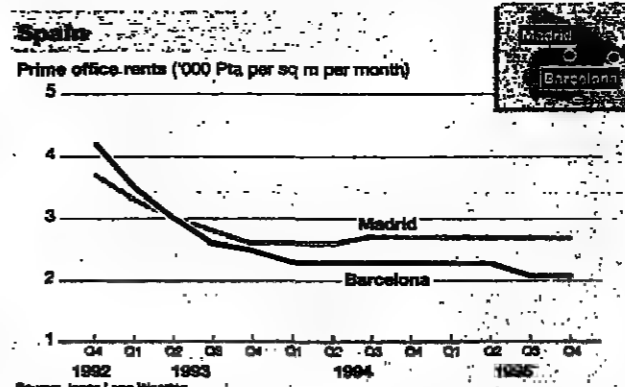
With the peseta looking steady (it was devalued by 7 per cent in March last year and subsequently recovered its lost

ground), it now looks as if Spain could be entering a period of sustained and sustainable growth in an environment of low interest and inflation rates.

The picture looks better when political issues are added, and this was clearly what the domestic investors were doing. The confidence hinged on the March 3 general elections which brought the

Madrid until after the March elections," Richard Ellis reported in its final 1995 European office bulletin.

Pent-up consumer demand has been demonstrably building up over the past 12 months in anticipation of a centre-right electoral win. The new centre-right administration was perceived as capable of restoring confidence and a business-friendly atmosphere.



centre-right Popular Party to power, albeit without an overall majority, and ended 13 years of Socialist government. Since well before the polls, the market had remained static and the linkage was repeatedly emphasised by all the top companies. "No major movement of occupiers is expected in

The markets had hoped for a clearer victory by the Popular Party but they nevertheless expect a recovery as domestic consumption and investment push economic growth along. The property market must, in all logic, be among the first to benefit from renewed confidence and expectations

■ Italy: by David Lane

## Step into the future

Pension reform and fresh private funds should create new property investors

Italy's commercial property sector took a step into the future last month, believes Mr Paul Bacon, of property consultants Healey & Baker Italy. The first non-food retail warehouse development is now on the slips and should be launched at the end of 1996. It follows a pattern well-established in northern Europe.

The project, for which Healey & Baker act as exclusive selling agents and in which two Italian constructors and developers, Adanti and Galotti, partner the UK specialist retail warehouse developer Wyncoote, will build 95,000 sq m of warehouse on the northern outskirts of Bologna. Work should start next year at the site, formerly owned by a local authority body, and negotiations are well advanced with

prospective purchasers of space among European leaders in the furniture, electrical goods, sports goods, toys and do-it-yourself sectors. "The end value of the project is expected to be around £400m," says Mr Bacon.

Several factors worked in favour of the project, not least the availability of a suitable site. Parco Commerciale Città Scell is about 15 minutes drive from Bologna's centre and close to the ring-road exit for the Bologna trade fair. "Bologna is a major city, capital of Emilia Romagna, one of Italy's richest regions, and has a population of about 800,000 within a 30 minutes drive of the site," says Mr Bacon. In addition, a 30,000 sq m non-food retail warehouse project involving Healey & Baker and Wyncoote

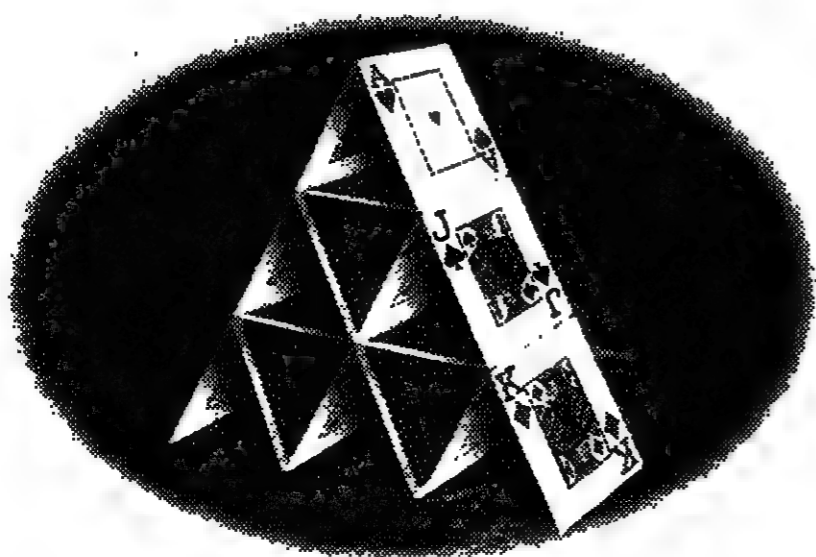
will be getting under way at Rimini on the Romagna coast about six months after the Bologna trail-blazer.

Financing arrangements for the Bologna project are different from typical UK developments in which institutional investors play a key role. What was already evidence that prices were beginning to harden. Since there is not, in fact, an oversupply of prime modern and spacious locations, interest is shifting to the softer areas of the business district.

This means moving up to the northern end of the Castellana or moving out of town altogether, particularly to the Campo de las Naciones and La Moraleja business parks on the M-40 ring road belt. Rents for top quality offices in these parks are a bargain at Ptas1,800 per square metre.

Bologna's project adds some sparkle to a dim Italian commercial property scene from which investors are generally absent. Nothing significant had happened in retail property since the 14,000 sq m Curcio centre development near Bergamo two years ago, in which the Milan subsidiary of property consultants Richard Ellis advised buyer Schroders International Property Fund. It is Continued on Page III

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Germany: by Simon London

## Market lacks sparkle

The biggest problems lie in the east with vacancy rates high and expectations low

Although German investors have been the biggest buyers of European property for the last three years, the immediate outlook for Germany is far from bright.

Big funds have been funneling billions of D-Marks into real estate, but rents in many cities have been slipping against a background of disappointing economic figures.

Germany was surprised by the speed of its economic upturn two years ago, but the recovery proved short-lived. Growth stalled in the second half of 1995 and the outlook for this year is hardly enough to ignite the property market.

Most forecasters are predicting a real gain in gross domestic product of about 2 per cent in 1996.

The biggest problems lie in the property markets of eastern Germany, where vacancy rates are high and the post-reunification expectations of investors have been disappointed. In Leipzig about 14 per cent of the office stock is empty. The office vacancy rate in Berlin has climbed to 6.5 per cent and will rise further as

developments planned in the aftermath of reunification become available for leasing.

The outlook in western Germany is better, but rents in cities such as Frankfurt remain under pressure. Prime rents in Germany's financial capital are now at about DM60 per sq metre per month - less including concessions granted to tenants - down from DM75 two years ago and DM90 in 1991. The balance of supply and demand also continues to move in favour of tenants. The vacancy rate for office space is now around 8.2 per cent, very high by historic standards.

These figures disguise shortages of modern offices in prime locations. As in most European centres, most of Frankfurt's vacant office space is in older buildings.

"If you are looking for 5,000 sq m in the banking district ready to occupy in the next three months, I have to tell you that there is very little choice," says Mr Chris Bull-Diamond of Wetherall Green and Smith's Frankfurt office.

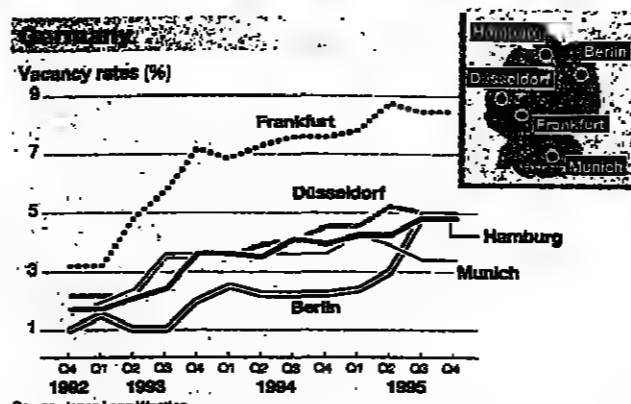
Take up of new space in Frankfurt was better than expected last year. DTZ Zadelhoff, the property agent, estimates that 310,000 sq m of office space was leased, about 24 per cent more than in 1994. The experience of Hamburg, Munich and Düsseldorf was much the same. However, most

lettings involve existing tenants taking the opportunity of lower rents to upgrade their accommodation. Net absorption of office space remains poor, although Munich and Düsseldorf have fared better than most other German cities.

More old space will be released in Frankfurt when Commerzbank occupies the city centre head office building - the tallest office tower on mainland Europe - which is now under construction. The bank is expected to vacate at least 60,000 sq m of space in its many older buildings around the city.

Against this background, developers in Frankfurt and elsewhere will struggle to achieve premium rents for the new space now under construction in fringe areas. The largest of these projects in Frankfurt is the "Castor & Pollux" scheme in the shadow of the Messeturm tower. The developers - Despa, the open-ended fund, and PGGM, the Dutch pension fund - are hoping to achieve rents of DM68 per sq metre for their twin towers. Unless market conditions turn in their favour, though, effective rents in the high DM50s look more likely.

Developers in Berlin are also faced by an uncertain few years until the planned transfer of government from Bonn stimulates serious demand for



office space there. The property investment market shows from the outside little sign of strain. Big investors, mainly the open-ended funds, continue to allocate significant new cash to property. Yields on prime property remain at around 5 per cent, among the lowest in Europe.

With cash still flowing into open-ended funds - DM7bn last year and a remarkable DM4bn in January alone - demand is likely to keep prime yields at around this level.

Meanwhile foreign funds continue to withdraw from the German market, partly because prime yields remain so low. Last year Rodamco, the Dutch company, sold most of its Westend Carre office complex in Frankfurt. MEPC, the large UK property company, is looking for a buyer for its DM300m German portfolio.

Only in the retail sector is there significant demand from overseas investors. P&O, the

UK shipping and property group, and Stadium, a private company which owns Meadowhall, the UK's most successful regional shopping centre, are building the DM2bn CentreO retail and leisure complex at Oberhausen. Rodamco and Hammerson of the UK have also indicated that they would like to acquire large retail schemes or developments.

Germany's retail markets are generally regarded as less developed than those of France or the UK. Deregulation of shopping hours and planning restrictions are expected to bring long-term gains for property owners.

Moreover, demand for space from retailers, many of them international chains expanding into Germany, remains strong. Yields are no higher than in the office sector. But unlike the office market international investors can secure sufficient rental growth to give them an acceptable overall return.

United Kingdom: by Simon London

## Uncertainty ahead

Overseas investors have proved better at market forecasts than home fund managers

The UK property market is still travelling hopefully after 18 months of falling rents and capital values. Last year was a massive disappointment, with property investment delivering total returns of only 3 to 4 per cent.

Although the economy is slowing, investors are still hoping that 1996 will finally see the start of a prolonged upswing. The Royal Institution of Chartered Surveyors forecasts that property values would rise by 6 per cent this year, suggesting a healthy total return of 13 to 14 per cent.

The institution expects most of the improvement to come from retail property. It says that consumer spending will increase this year, helped by tax cuts and falling mortgage rates.

However, the UK property market has a recent history of underperforming similar forecasts. The overhang of empty space from the 1980s is taking longer than expected to clear because demand for commercial space from tenants remains subdued.

Within this uncertain overall picture, though, there are areas of obvious strength: leisure property has become fashionable with investors as more integrated leisure parks - sites including cinemas, restaurants, bowling and bingo - have been developed. Larger property companies such as MEPC and British Land are committing funds to the sector alongside niche operators.

retail warehousing continues to deliver strong rental growth as tenants compete for space in the best schemes. Again, the market is dominated by a mix of small niche property companies and larger investors such as Land Securities, the largest UK property company.

shopping centres, especially larger centres, continue to flourish. Tough government planning rules mean that few new regional shopping centres will be built. Those with planning permission - such as Blue Water Park in Kent, being developed by Land Lease, the Australian property and financial services group - have become a scarce commodity.

Developers are also turning

their attention to rebuilding the 1960s generation of shopping schemes. The largest such project is the proposed £200m redevelopment of the Bull Ring in Birmingham by Hammerson, the UK property company.

The outlook for some segments of the office property market is also reasonably bright. Modern buildings in the City and West End of London are in short supply, for example, despite an overhang of older unwanted buildings.

Most of the better buildings left over from the 1980s development boom are now occupied.

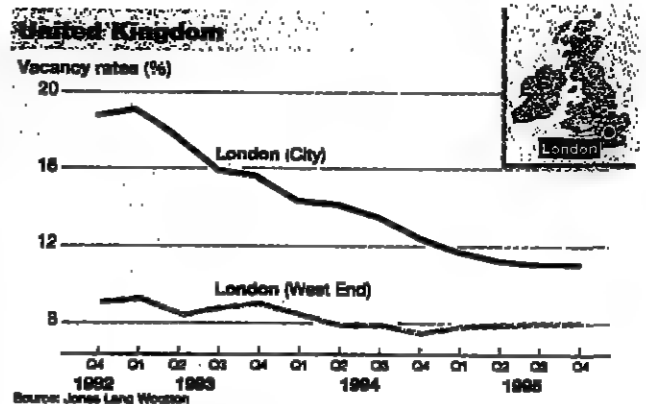
Landmark deals during 1995 include the letting of the futuristic Ark Building in Hammersmith, west London.

reason why international capital continues to flow into UK commercial property. In 1995, £1.78bn was invested from overseas, slightly more than in 1994, according to DTZ Debenham Thorpe, the chartered surveyors.

The biggest single contribution came from the consortium of mainly US investors which acquired Canary Wharf for £800m. But European investors show no sign of backing off.

CGI, the German open-ended fund, is financing two of London's largest redevelopments - at One Curzon Street, Mayfair, and Milton and Shire Houses in the City.

Despa, another German fund, recently acquired the distinctive Lloyd's of London



France: by Andrew Jack

## Gloomy short-term outlook

Government efforts to boost the property market have been seen as inadequate

As international property experts gather for the annual extravaganza of Mipim, their professional body, in Cannes in the middle of this month, the mood of their French hosts remains far from elated.

While some executives and commentators are beginning to see signs of positive change, others remain far from optimistic about the short-term prospects for the national property market.

For the last two years, large French groups, with property exposure have been promising that "the worst is past" - and then swiftly going on to offer more bad news. That goes for property developers themselves, but also for others with large investments in the sector, notably insurers, banks and other financial institutions.

Take Suez, the flagship industrial and financial holding company, which had substantial property exposure through operations including Indosuez, its banking arm. After Mr Gérard Worms, the then chairman, announced "once and for all" property provisions of FF7.5bn for 1994 in March last year, his successor Mr Gérard Mestrallet in October added a further FF4bn for the first half of 1995 alone.

Mr Jean-Marie Messier, managing director of Générale des Eaux, the utilities group, in the same month announced a sharp fall in profits, a restructuring of its property holdings and warned of provisions of

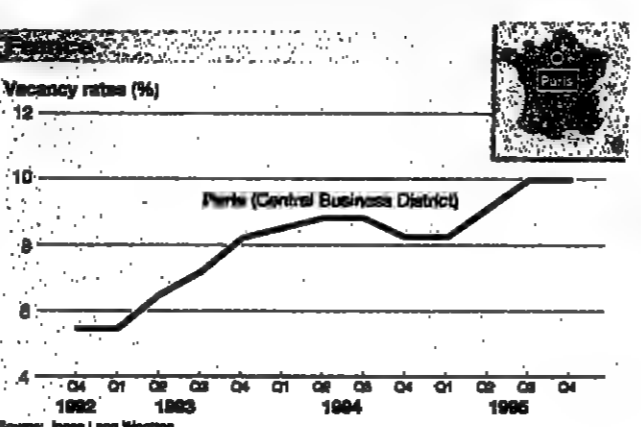
FF6bn-FF7bn for the full year. AGF, the state-owned insurer, took FF2bn in charges for the first half of 1995, a large amount on property, and then at the end of last year, GAN, its state-owned rival, announced the need for a further FF6bn in asset sales, much to help handle its property difficulties.

January brought an intense crisis at Crédit Foncier de France, which is quoted but with executives appointed by the government. Rating agencies downgraded, the share price plummeted, and its costs of borrowing soared to the point where the Caisse des Dépôts had to intervene and provide a short-term emergency credit line. The state intervened to replace the head of the institution.

Most recently, at the end of January, Bouygues, the French construction group, unveiled FF4.4bn in provisions for the year, including some FF2.1bn against its property investments.

In the background, there has been the continued restructuring of Comptoir des Entrepreneurs and Crédit Lyonnais, two state-controlled institutions that in the last few months received European Commission approval to proceed with government-backed restructuring plans costing up to FF4.5bn and FF1.3bn respectively.

Some argue that many of these corporate restructurings say as much about the round of new appointments to senior executive positions in a number of the leading French groups - all of whom have been keen not to pass up a good chance to make provisions against past management actions - as they do about the



current state of the property market.

On the other hand, while it was certainly possible for the big companies carrying heavy property investments to hold their breath and hope the bad news would rapidly blow over in the past, the conditions have clearly changed.

There has been growing pressure as their competitors began to make write-downs, needed to liquidate assets, and came under the scrutiny of banking regulators and auditors.

Equally, the shake-out across the industry suggests a considerable risk of over-supply which will continue to exert downward pressure on market prices - notably in Paris.

"We lived through a non-market during 1995," concluded Bourdais, the French property consultants, in a recent gloomy report. It highlighted a sharp drop in investment in the market, and rental trends which are only just beginning to stabilise after steady declines since 1990.

However, not everyone is so negative. "We are close to the lowest level of the market,"

said Mr Léon Bressler, chairman of Unibail, the commercial property developer, when announcing his group's 1995 results recently. "The market has been going through a correction. It will rebound after 1997."

Unibail reported profits up 10 per cent to FF225m, and revealed all its properties in current terms, which revealed capital gains of FF1.5bn to compensate for write-downs of FF1.2bn.

Some notable deals did take place during 1995, involving Axia, Standard Life, UAP and Unibail. Equally, foreign investors are beginning to express interest in the French market again. Bourdais put the value of their investments at FF1.7bn last year.

While some sectors - notably old-fashioned, central Parisian, offices ill-suited to modern corporate needs - have suffered, others have done far better.

Mr Philippe Bresteau, a director of Richard Ellis, the chartered surveyors, in Paris, says that there is some take-up in the best areas of the capital, and that the relative shortage of supply should start to help

to push rents up. However, he stresses that companies are demanding less space overall: partly because they have restructured and employ fewer senior staff, and partly because they are allocating each staff member less space.

Overall, his firm argues that London remains a more attractive property market for investors than Paris. "There is not enough confidence in the market," he says. "It is difficult to find French investors." Developers are concentrating on renovating existing properties rather than building anything new. The French government has started to occupy itself with the property market. Late last year, it launched measures - criticised as inadequate - to help stimulate the sector, including a delay in the payment of transaction taxes on properties bought with the intention of re-sale.

Developers are also turning

business centre, may be partly responsible. Unofficial figures put vacancy rates at about 10 per cent in Milan's central business district and around 30 per cent in the suburbs.

The fall in prices of office properties since their 1990 peak has helped average yields to increase. They are now estimated at about 6 per cent in Milan's central business district, against less than 5 per cent six years ago. But they still compare poorly with other forms of investment.

The other side to this coin is that the letting market is offering much more to companies seeking space or renewing leases. Annual rents of prime properties in the central business district have been halved from their peak of around 1,800,000 per sq metre. Among Jones Lang Wootton's recent letting deals were offices at 1,450,000 per sq metre in Milan's Via Montenapoleone, the top fashion street where names like Gucci and Ferragamo are to be found.

Property consultants report good levels of activity in office letting. Companies continued to rationalise even after the recession at the start of the 1990s had given way to growth. The consolidation of activities from several locations to one site is common. Oversupply of office space, caused by companies' lower requirements has given them powerful negotiating clout. They have been using it. Italian letting contracts are 6 years plus 5 years, so leases signed at 1990's peak are now expiring.

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## Step into future

Continued from Page 11

indicative of the low tone in the retail sector that the purchase by the Bank of Italy of a 4,000 sq m development in Bari, in which Richard Ellis advised the seller, Assicurazioni Generali, is considered worthy of mention.

Ms Marina Bottero of property consultants Jones Lang Wootton in Milan describes the investment market as soft. This applies even more to industrial property than to retail, where Ms Bottero does see considerable opportunities arising and being taken in the future. "Industrial property is just not attractive for investment," she says, pointing to the large amount of vacant industrial space around Milan.

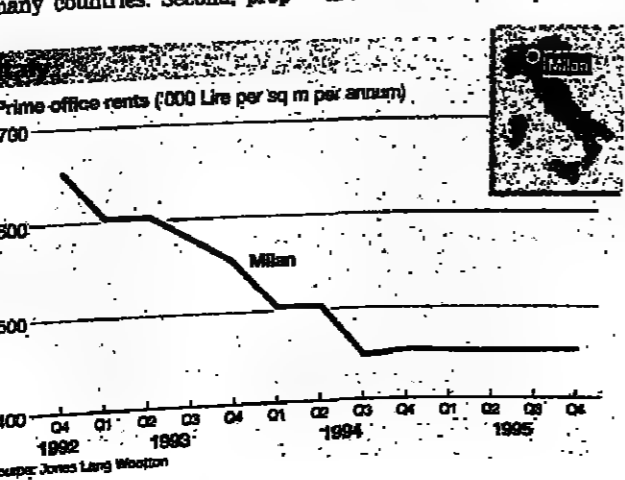
Office property investment is also in the doldrums. Mr Roberto Trella at Richard Ellis notes that the flow of funds has dried up significantly. "Having over-invested, large Italian institutional investors like banks and insurance companies have been disinvesting," says Mr Trella. Widely considered the safest of investments, with the sharp drop in prices during the 1990s, property has failed to maintain its standing. "Property investment offered a sure, low-tax

way of boosting reserves through capital gains, but the price slump has destroyed this myth," says Mr Trella.

He believes that pension reform and the creation of private pension funds should eventually create new Italian property investors. Meanwhile, it is unlikely that commercial property in Italy will find favour with international investors. They stayed away even when the market was booming.

Mr Trella gives three reasons for their reluctance towards Italy.

First, there is a widespread perception that it is a difficult market to penetrate. Indeed, the bureaucratic and planning obstacles that projects encounter generate uncertainty and make timing hard to predict. Yet, surprisingly, the contractual aspects of business leases in Italy and their drafting are considerably simpler than in many countries. Second, prop-



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## IV EUROPEAN BUSINESS PROPERTY

Markets in eastern Europe: FT correspondents look at Russia, Poland, Hungary and the Czech Republic

## Undeveloped land is expensive

The Moscow property market is - like so many other facets of modern Russia - a study in apparent contradictions.

While central Moscow is seemingly awash with undeveloped land and grand buildings in desperate need of renovation, the city's property market remains one of the most restricted and expensive in the world. There appears something economically incongruous about a market boasting some of the highest office rents in the world while the average wage remains about \$100 a month. Rents of \$1,000 a sq metre for prime property in central Moscow are not uncommon and vacancy rates remain extremely low.

But, as ever, these seeming inconsistencies are readily explained by the laws of supply and demand. In central Moscow, at least, there is a limited supply of high quality office space and almost unlim-

ited demand from multinational companies wishing to move into the Russian market. Such was the demand for the 9,500 sq m of high quality office space which has recently become available at the Japan House on Savvinskaya embankment that letting prices have climbed to \$1,000.

## Moscow

\$1,200 a sq metre. Normally, these letting prices do not even include additional costs such as parking and fitting-out expenses, which can sometimes double the occupancy costs.

The balance of economic forces has been kept lopsided by the Moscow city government, which has taken a financial stake in many of the biggest property development projects and has a vested interest in limiting the amount of

additional space that comes on stream so as to maintain high rental values.

The Moscow government, headed by Mayor Yuri Luzhkov who runs the city like a personal fiefdom, continues to own almost all the land in Moscow and generally will lease premises only for a maximum of 49 years. The city government's supporters argue its active involvement makes for a more regulated market, which will prevent the boom and bust cycles common in property markets elsewhere in the world. But in the past few months some of the heat has gone out of the market as Russian banks have drawn in their tentacles following a sectoral liquidity crunch last autumn and tenant attitudes have hardened.

The biggest obstacle facing potential property developers is the difficulty of raising finance. Sizeable long-term

bank loans are hard to come by and even those that are available command prohibitive rates of interest. The legal environment is too uncertain for a property boom market to flourish. The stock market infrastructure is too weak to allow public companies to raise fresh funds for development.

The chief means of raising finance is to demand advance rental payments from potential tenants. But that can be an unpredictable undertaking for both landlord and tenant. Some unfortunate tenants have found that unscrupulous landlords "revisit" the letting prices once a property has been fitted out and occupied. Such horror stories, which circulate quickly in the relatively small foreign community, serve only to bid up the prices for space owned by respectable operators.

John Thornhill

## Rents on a par with Paris and London

With prime office rents at Paris and London levels, Warsaw continues to excite developers, all the more so as Poland's economy grew by 7 per cent last year with a 5 per cent increase predicted for this year. As space is set to be in short supply for a few years at least, existing projects and those now under construction are providing handsome financial returns. According to Mr Richard Petersen of Healey and Baker, the Polish capital is on the edge of a building boom as there are now fewer bureaucratic restrictions on access to land, and strong pressure from foreign investors looking for office space for growing staff teams will bring new office developments.

At the moment, the company's Warsaw office estimates that the city has 286,250 sq m of office space of quality acceptable to foreign companies occupied, while 62,350 sq m are under construction and will be let as soon as they become available.

## Warsaw

These include 11,000 sq m in a corporate headquarters for ING Bank of the Netherlands which is soon to start construction on a site across the road from the old Central Planning Office. Also Bouygues, the French construction company is to build a head-

quarters for Citibank as well as the Poland's listed BRE bank in a reconstruction of Warsaw's pre-war city hall which was destroyed during the last war and never rebuilt afterwards. Even the past caution of the financiers who were wary of the "Polish risk" and demanded pre-letting agreements before freeing funds - this partly helps explain the present bottlenecks - is beginning to melt. "Money is becoming easier," says Ms Janet Choykowski, a corporate consultant at Prime Property. ING Real Estate has also recently signed a letter of

intent with the Warsaw City Authorities and Samsung of South Korea to build a three-storey retail, hotel and office building next to the main railway station in the centre of the city. UK retailers Marks and Spencer and Boots have expressed interest in putting shops into the project - a sign that retailing has begun to attract the attention of leading western companies.

Indeed, it is retail developments which are generating the most activity in the property sector, not only in Warsaw but across the whole of Poland. Mr Jan Chudziński of Gerald Eve says that Poland has gone through its phase where fast food companies such as McDonald's and PepsiCo with their Pizza King and Kentucky Fried Chicken brands were looking for small sites. Now it is the large retailers which are developing ambitious plans to build hypermarkets in out-of-town locations on 5-ha or larger sites. Macro from Holland was the

pioneer and its five Cash-and-Carry supermarkets in Warsaw, Krakow, Lodz and Silesia are doing a roaring trade and are to be followed by seven others this year alone involving an investment totaling \$190m since 1994.

Tesco from the UK have bought out Savia, the former state-owned retail network in Bielsko Biala and are planning to develop a chain of stores in southern Poland. Leclerc and Deco de France have said they want to build another 60 or so stores around the country. Stanges of Germany is planning between 20 and 30 hypermarkets offering goods to the do-it-yourself sector as is Castorama of France which plans to build about 16 similar stores.

Other retailers who have opened or are planning outlets are Auchan and Casino of France. Poland can also expect to see the construction of hypermarkets worth over \$1bn during the next five years.

Christopher Bobinski

## Tight competition, lower returns

In 1989, there were only two or three buildings with modern western-standard office space in Budapest - by far the country's biggest city and commercial centre. Now, after a construction boom in the early 1990s, competition is tight and developers are having to cut prices to fill buildings which three years ago would have been occupied instantly.

"Most developers were extremely happy with returns on projects developed between 1990 and 1993. But it's becoming a lot tougher - rents are no longer at the high levels they were when many recent developments were conceived," says Mr Stuart Durrant, head of DTZ Debenham Zedehoff's Budapest office. He says rents for top class office space in the city centre have been falling for three years - down from a peak of DM185-DM160 per sq metre in late 1991 and early 1992 to DM140-DM130 at present.

DTZ estimates around 400,000 sq m of new prime office space has come on stream in the past six years. In

spite of falling rents and demand, however, Mr Durrant says the city - home to 2m or 30 per cent of the population - is still under-supplied compared to western Europe.

He attributes this to Hungary's sluggish economic recovery - GDP growth was just 2 per cent last year - and to lack of serious demand from local companies which occupy only 10-15 per cent of top class office space. The majority of Hungarian companies are pri-

## Budapest

vate start-ups or large state-owned companies.

Much of the recent activity in the property market has involved multinational companies, expanding local operations and moving into larger and less expensive offices, often further from the city centre, says Mr Philip Cohen, a manager at Healey and Baker in Budapest.

"Several companies which entered the market three to five years ago are moving up from 100-800 sq m offices to

1,500-3,000 sq m premises," he says. Many were opting for new developments in secondary locations where prices were more competitive and on-street parking was often better than in the increasingly congested city centre. With around 65,000 sq m in high quality office space due to be completed in 1996, Healey and Baker expects vacancy rates of around 11 per cent this year.

Several of the largest new developments are in retail. Global, the Hungarian subsidiary of Tesco of the UK, for example, recently purchased a 20-ha site on the outskirts of Budapest to house one of five new supermarkets that Tesco plans to build in Hungary by the end of the decade. It has already opened a 13,000 sq m shopping centre in Győr, near the Austrian border in western Hungary, one of the few provincial cities to attract major developments. Mr Durrant says that, although the provincial market is picking up, most Hungarian towns - of which have populations over 150,000 - are too small to attract large projects.

Other developers are planning shopping malls with Dana Plaza, the largest and first western-style mall to date, due to open later this year. The mall - a \$55m development in northern Budapest - will include 160 shops, an ice skating rink, a nine-screen cinema, several restaurants, a metro link and a large car park.

Another area, where demand is strong, is in the light industrial and warehouse sector, says Mr Cohen. But, there are relatively few new developments in the sector because of high land prices and the often prohibitive costs of providing buildings with such services as electricity and link roads.

Financing also remains expensive and scarce. Mr Durrant says domestic banks are still not very active in financing property development and that foreign banks, which have provided the bulk of financing to date, are imposing stricter loan conditions as they near the top of their country lending limit.

Virginia Marsh

## Cranes now vie with spires

When the Czech Republic reopened for business after the Velvet Revolution companies seeking to locate in Prague discovered quickly that the heart of the city, with its maze of ancient streets and grand old buildings, were disadvantages to modern business.

Following the restitution of property to their pre-1948 owners (or their descendants), some new owners rushed to cash in on the rising demand for offices. A hasty refurbishment of an old palace or apartment building allowed landlords to charge steep rents for space that did not have enough phone lines, electricity points, air conditioning, car parking, or even sufficient light.

Many of these buildings are now showing their age and are not acceptable to the majority of tenants," says Mr Robert Neale, director of the Prague office of Healey and Baker. But with the city's skyline now boasting nearly as

many cranes as church spires and the construction industry enjoying strong growth, things are changing fast.

About 100,000 sq m of office and commercial space came on the market in both 1994 and 1995, including both new and refurbished space, according to developers and rental agents.

## Prague

Last year, supply met demand for the first time, with the largest tenants high technology companies arriving to set up sales and marketing teams, and local banks. Rents, which started out very high, have stabilised at around DM80-DM90 a square metre.

This year should see the market move a stage further. Three large new developments are about to come on the market, offering purpose-built office and retail space. Companies are already lining up to

move in as they become available, according to property specialists.

Two, the Praha City Centre, located near the city's main motorway, and Daxex, on Wenceslas Square in the heart of commercial Prague, have been completed and are now being let. Rents are expected to be around DM50 a square metre. Praha City Centre may have an advantage over its rival because it offers parking, but rental agents expect demand for both to be high.

A third is the Myslbek building on Na Příkopce, a street at the lower end of Wenceslas Square that is already home to three of the four big Czech banks and the central bank. It has been developed by Caisse des Dépôts et Consignations, the French group that is one of the biggest property developers in eastern Europe. Myslbek is a giant building, with frontage on two streets, and will offer 6,500 sq m of retail and 18,000

sq m of office space when it is completed at the end of 1996. Perhaps the most eagerly awaited new development is currently under construction overlooking the Vitava river.

Developed by Nationale Nederlanden, the Dutch financial services group, and designed by Yugoslav and American architects, locals have dubbed it "Fred and Ginger" because of its extraordinary shape - it looks like a couple dancing, as its nickname suggests, one half ramrod-straight, the other half curvy and vivacious.

Though it has horrified lovers of classical architecture, Fred and Ginger, expected to be completed this year, will offer not only up-to-date office space, but also continue Prague's celebrated tradition, which the city council is keen to maintain, of innovative and timeless architecture.

Vincent Boland

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## Balancing act for English Heritage

The custodian of our nation's past is in a catch-22 situation between lottery and government funding. Antony Thorncroft reports

Chris Green says "my job is to act as champion for the heritage". At the moment he is a somewhat battered champion: in the budget English Heritage suffered a 3 per cent cut in its 1996-97 grant, to £10m, with more misery to come.

Green, who last year switched from running Scot Rail to managing English Heritage, reckons that, on current projections, in three years time English Heritage will be £27m worse off, which will inevitably translate into more job losses, fewer grants to decaying churches and mansions, and unattended sites.

The excuse for the blood letting is, of course, the lottery. English Heritage, as custodian of the nation's past, has already popped seven bids for cash into the Heritage Lottery Board mail box, and has hit the jackpot twice, with a £12.2m grant to restore the 18th-century cascade at Chiswick House and £300,000 to repair Pendennis castle in Cornwall.

It hopes to hear soon that it has got £200,000 to improve the parkland around Wilby Court, and is optimistic on receiving funds to smarten up Whitby Abbey and to prepare a visitor centre at St Augustine's Abbey at Canterbury in time for the pilgrims celebrating the 1,400th anniversary of its foundation in May 1997.

More requests will follow, culminating in a £64m application to the Millennium Commission for the resources to finally resolve access to the most important heritage site in the land, Stonehenge. The Treasury thinks that these opportunities to call on lottery money, which might total £5m this year, excuse a smaller grant.

Green is incensed. Lottery money was intended to be additional cash. There is no home to a world-class symphony orchestra, jazz, and an impressive collection of 19th-century paintings. Chicago is self-confident, culture-savvy. Amid this heady mix of art and poetry-in-motion one can appreciate, as aficionados often claim, that Chicago, not Broadway or Los Angeles, is the crucible of theatrical America.

Currently, there is a strong British presence. The RSC has just passed through on its way to New York. *A Midsummer Night's Dream*. Michael Pennington's production of *Twelfth Night* is being performed by the Shakespeare Repertory Company at the Ruth Page Theatre. Kevin Elyot's gay Chekovian boulevard drama, *My Night With Wag*, is running at Ball-Whisker Rep. And two British playwrights, Terry Johnson and Stephen Jeffreys, join forces at Chicago's most famous ensemble: Steppenwolf.

Steppenwolf is celebrating its first 30 years: "From out of our mind to in your face", its marketing campaign tells us - from the fiery individualism of *Orphans*, which Albert Finney brought to the West End a decade ago, to the collective performance in *The Grapes of Wrath*. Alumni include Hollywood players, Gary Sinise (*Forrest Gump*, *Apollo 13*) and Joan Allen (Pat Nixon in Oliver Stone's film); and TV stars Laurie Metcalf (*Roseanne*)

way English Heritage could undertake such new initiatives from its traditional grant. He is already lobbying to have the proposed reduction for 1997-98 rescinded. In the meantime he is considering his options for a year of stringency.

As a commercial man Green will not just be cutting staff and freezing grants, although the workforce of craftsmen will be privatised and many stately home owners will not have their roofing bills paid. He also aims to improve English Heritage's earning capacity which, under chairman Sir Jocelyn Stevens, has virtually doubled to approaching £20m a year.

Some of the initiatives might freeze the blood of traditionalists: at least £1m of the £4m still needed to complete the repair of the Albert Memorial by 1999 could well come from advertising hoardings around the site; the first deal is about to be signed. Raising sponsorship for concerts and other events at English Heritage properties could raise another £500,000. Tesco is happy to sponsor music at Kenwood.

English Heritage is also cashing in on its intellectual properties, like its 18th-century wallpaper designs and its Saxon rings and brooches, which are being duplicated for the Japanese and American markets. In the near future Green hopes to announce a £500,000-plus deal which will enable a pharmaceutical company to be involved in the renovation of Charles Darwin's home, Down House in Kent. All these financial worries are a distraction from English Heritage's main task - keeping an eye on 450,000 listed buildings; administering 400 properties from Stonehenge to Chiswick House; and creating the conservation area partnerships which have largely halted the

wholesale wrecking of English towns which took place in the 1960s and early '70s.

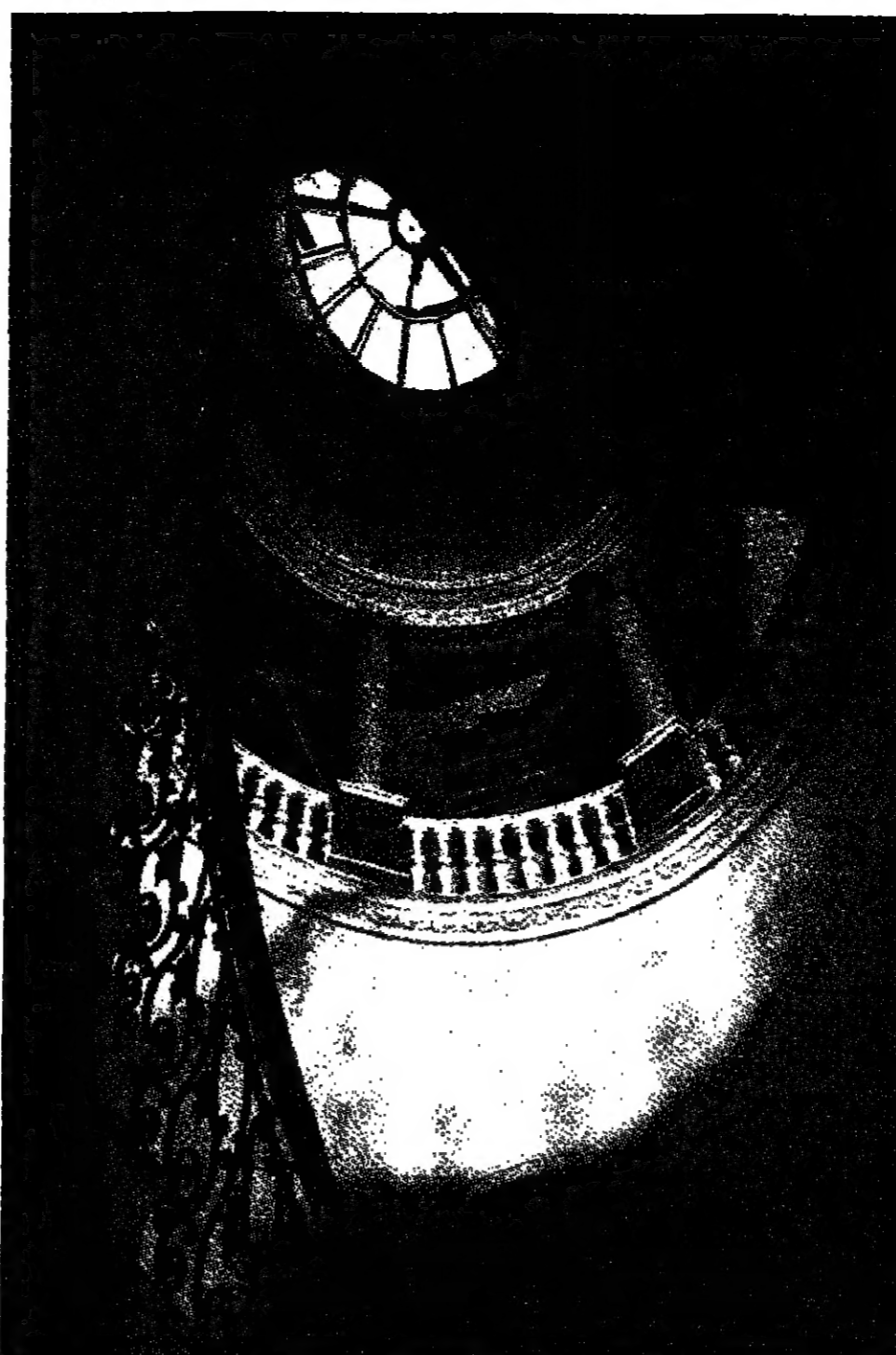
The role as watchdog of the last resort forces English Heritage to take on, somewhat unwillingly, new responsibilities. It has just saved, at a cost of over £2m, Danson House in Bexley, which it now hopes to hand over to a college with guaranteed public access at weekends.

Its most recent rescue, for £1m, has been Wigmore Castle in the Welsh borders, an overgrown, forgotten ruin which, for lack of any obvious modern use, may be kept as a visitor attraction. This seems to have worked well enough at Brodsworth, its last lost cause, which it marketed as a Victorian time capsule and which pulled in 40,000 visitors in just 14 weeks last season.

English Heritage has the virtually impossible task of being both the Disney of the heritage world, boosting visitor numbers and revenue by holding everything from operas to tournaments on its properties, while maintaining the intellectual expertise to conserve the best of the past.

Somehow a balance is achieved between preservation and progress, between the ancient and the new. Around 2,600 buildings were given some protection last year by being listed (half of them on the application of owners who think, quite rightly, that listing increases value), while around 2,000 listed buildings were allowed to be demolished or, in most cases, altered.

Unattended iron-age hill-forts and bronze-age burrows are left to nature, or bands of enthusiastic amateurs, while last week 67 post-war structures, including the Severn Bridge and Kensington Central Library, were proposed for listing; the reaction of the public is now awaited. Green is proud to have listed Centre Point last



The domed staircase at Danson House, one of the latest buildings rescued

year among a group of 30 modern office buildings; he thinks the future will add a glow to concrete.

To a great extent the heritage battle has been won. More of value is saved each year than is lost. But vigilance remains the watchword. Around 150 Grade I listed

buildings (out of a total of 6,000) are regarded at risk. One of the most important 18th-century buildings in England, the neo-gothic St Pancras Chambers, is suddenly in danger, and it is worrying that Richard Branson of Virgin, no known aesthete but last week's winner in the battle to bring a new

Channel link into the station, now has a decisive influence over its future. Championing and preserving the heritage is a big enough job for Green without having to nip-keep over small change to make good a savage and unprincipled cut by Treasury officials.

Opera/Stephen Pettitt

## 'Tosca' exonerated

Many have derided this English National Opera production by Keith Warner of *Tosca*, first seen at the Coliseum in 1994, as preposterous, and, with the shockingly surreal close to each of its acts, it is certainly that. A church scene where a statue of the Madonna, surrounded by grotesque boy-bishops and men in chains, suddenly comes to grimacing life, crowns Act One.

At the end of Act Two the screen hanging beneath the awaked second proscenium in Scarpia's office in the Palazzo Farnese lifts itself after Tosca has murdered the corrupt police chief to reveal footlights and an auditorium beyond, as though the whole episode has been only a fantasy, simply another star turn for this highly dubious heroine. And Act Three has her only metaphorically tumbling through the air rather than literally leaping over the parapet, her suspended limb-waving double surreally framed by yet another false proscenium, this time further backstage, while the executioner takes aim to fire at the real Tosca.

This is a *Tosca* played in the mind of Tosca, a woman who even at the height of pressure resorts to the overdone responses of her stage life. The events we see happening around are her own distortions, her own exaggerations of the facts. And if Warner's production is indeed preposterous, so, let us remind ourselves, is the whole opera, so is the character of Tosca herself.

self. His emphasis upon the grotesqueness of Tosca's self-regard, her self-possessiveness, and above all her absurd self-delusion seems to me to be entirely valid. There is no real tenderness, no real passionate fury. She is one-dimensional, and in the end she has as little conscience as Scarpia. Her death in this production is no tragedy; simply another overcooked goose of an act.

So, unlike some colleagues, I do not feel that Warner has betrayed the work. But his slant does have a downside. In that it restricts the flexibility of his characters - not just Tosca - and places an unfair burden upon his singers. It is a tall order, for instance, to expect Janice Cairns in the title role to sustain the kind of self-parody Warner demands for the entire evening. One soon tired of her stock melodramatic responses. Nothing her *Tosca* does can surprise us. But Cairns, though slightly hard of voice, does her best, while David Rendall's Cavaradossi strikes a more sympathetic chord - in this light he comes across as touchingly naive - and Philip Joll's Scarpia avoids the worst excesses of the pantomime villain, a trap into which many a player of the role has fallen.

The dramatic, clear lines of John Conklin's designs, a judicious blend of the abstract and literal which are strikingly lit by Alan Burritt, are a feast for the eye and set up Warner's view to perfection. Alex Ingram conducts an orchestra which enjoys every indulgent moment of the score.

Concert/David Murray

## Steve Reich celebrates 60

The celebrated American minimalist Steve Reich has been celebrating his 60th birthday, here and no doubt in several other places (the Barbican programme was careful not to mention an exact birthdate), as has become the norm for international musicians. Birthdays make commercial successes, or at least facilitate them.

Reich's sexagenary, however - at the Barbican, with London Symphony players and four leading voices from the Swingles - was a cool affair. Except for the audience, a full house which included many devoted Reichians (though Reich has fewer London performances lately, fans hang upon his continuing CDs); but the programme was austere presented, with the composer's own notes consisting chiefly of practical instructions for performers, saying nothing about what the point, purpose or intended charm of the music might be. I admitted that.

There was enthusiastic clapping after *Clapping Music* (1973), in which for the 10th time Reich - in person - joined a local colleague to clap away for five minutes or so, with syncope. Evidently Reich sees it as his seminal minimalist piece, the classic introduction to his method.

Then we had *Eight Lines*, which used to be called *Oxley* until Reich found that it sounded better with a dozen players instead of eight: intricate minimalist patterns, cheerfully dionysian and seamlessly knit over a running beat.

Seriet, for four percussionists and a pair of keyboard players, was both more varied and much more chromatic, which suggested more interesting shadows and tensions than we had heard yet. Still, we were unprepared - those of us who do not own the CD, at least - for the rich scale of *Tekhillim* (1981), which crowned the concert.

*Tekhillim* sets Hebrew lines from three psalms, ending (like Stravinsky's *Symphony of Psalms*) with no. 150, which invokes musical instruments to praise God. The usual running beat is in small notes; the larger phrases are in flexible, irregular metres which display a new aspect of Reich. Four female Swingles were on hand to deliver the tricky vocal parts, extremely well. There is a lovely slow movement, which is actually moving, and the quick movements dance and sparkle. David Robertson was the assured conductor, while Reich himself helped to man the sound-desk. There was general delight.

Theatre in Chicago/Simon Reade

## Malkovich is back in town

and John Mahoney (*Frasier*). They maintain their commitment to their *alma mater*, returning to lead on stage, or to direct.

Its finest actor, John Malkovich, has effortlessly glided back into the company as Stephen Jeffreys' Earl of Rochester in *The Libertine* - the Restoration genius who chose to satirise his age through pornographic verse, the role model for a relatively sanitised Dormant in *The Man of Mode*.

Terry Johnson, author of *Dead Funny*, directs. He intelligently sets the play in a bare boards production (design Derek McLane) where you cannot hide from the fact of your fiction, the wide Steppenwolf stage exposing the actors' dressing-tables in the wings alongside the lurking stagehands. Rochester believes in the curating lie of theatre: "The pretence only holds if we are given the truth". Johnson demonstrates honest artifice with a production which consequently expresses supreme emotional truth.

It is fired by the two brilliant central performances. We know the thrill of Malkovich from *Burn This* and

*Dangerous Liaisons* and *In the Line of Fire* and so on. His danger crackles. Just when he appears to be nonchalantly glazing over, he erupts wildly: an off-stage, falsetto-heralded first entrance, a frenzied flapping of his cuffs at death. Malkovich has an alluring slur in his voice, a nasal sneer. He steadfastly charts the whoring "cynic of our golden age" who prostitutes his satirical art, falls truly in love with the beautiful truth of Restoration actress Elizabeth Barry, yet drinks himself to death with increasing misanthropy. Barry chides him: "You see the monkey, but you close your eyes to the angel".

Martha Plimpton makes a commanding Steppenwolf debut as strong-willed Barry: "An actress of truth, not a creature of artifice", says Rochester. Plimpton plays with great dignity, even while enduring simulated sex with a florid prostitute armed with a maple-wood dildo in one of Rochester's exotic plays. There is low bawdy amongst the high philosophy.

While Rochester squandered his potential in licentiousness, the Marquis de Sade fulfilled his. In *S/M*, the

much-talked-about Chicago auteur Mary Zimmerman brings her theatrical style to bear on de Sade's story, told in tandem with Leopold von Sacher-Masoch's - from both of whom we coin our perversities. In Steppenwolf's studio space we sit on a scaffolding frame peering into de Sade's arena. There is some nudity and use of microphones - reassuringly *avant-garde* rather than surprising. The dialogue is witty, frank: "While she frigs me, would you relish the sight of my arse?" Very Rochester. "You'll love it, you'll hate it - the price is right," summed up the lady handing out free programmes. At \$10 a ticket, she could not be wrong.

By contrast, fringe theatre can triumph in sharp-focus orthodoxy. At A Red Orchid Theatre - a low-ceilinged room tucked behind a Chinese restaurant on North Wells - Steppenwolf assistant director Wilson Milam mounts Hired Gun's production of *The Caine Mutiny Court-Martial*, Henry Wouk's classic American novel/film/play. Wilson directed *Killer*

Joe, the devastating play that came from Chicago to the West End last year, via Edinburgh's Traverse and the Bush. *The Caine Mutiny* travels to Edinburgh this August - see it for its masterful acting, in particular from Tracy Lettis, the author of *Killer Joe*.

Lettis has the subtlety of Malkovich. He plays Lieutenant Greenwald, the Jewish lawyer defending the second world war mutineer, Lieutenant Maryk, with a steely inscrutability. Then his angry, piercing eyes well up like the typhoon into which Maryk steered the destroyer to wrest command from the "perfectionist anxiety" of his commander. The prosecuting advocate warns Greenwald about Captain Blakely, who presides over the court-martial: "Blakely's headed up a lot of these courts - he doesn't go for vaudeville". And neither does Lettis in a smouldering firebrand performance. He shares the veracity of Martha Plimpton's Elizabeth Barry.

Gripping. Powerful. Articulate. This is Steppenwolf. This is Hired Gun. This is Chicago Theatre.

*The Libertine* plays until April 7. For details of this and other Steppenwolf productions call 001-312-335-1650. *The Caine Mutiny Court-Martial* plays at A Red Orchid Theatre until March 17, 001-312-948-8722, and the Edinburgh Fringe Festival in August (0131-228-1404).

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### AMSTERDAM

#### CONCERT

Concertgebouw Tel: 31-20-6730573  
● Matthäus Passion: by J.S. Bach. Conducted by Willem Wissehahn and performed by the Amsterdam Gemengd Koor, Het Nederlands Bach Orkest and Kinderkoor de Krusbergkloster; 2pm; Mar 10  
● Members of the Concertgebouw Orkest: with conductor Philippe Herreweghe and violinist Vera Baths perform Mozart's *Serenade No. 10* in B flat for wind instruments (Gran Partita) and *Violin Concerto*; 2.15pm; Mar 10

### BELFAST

#### THEATRE

The Grand Opera House Tel: 44-1232-236 842  
● *Rosencrantz and Guildenstern Are Dead*: by Tom Stoppard. Directed by Matthew Francis and performed by the Royal National Theatre. The cast includes Lois Butler, Claude Blakely, Tim Crouch

and Cellum Dixon; 7.45pm; Mar 12, 13, 14 (also 2.30pm), 15, 16 (also 2.30pm)

### BERLIN

#### CONCERT

Konzertsaal Tel: 49-30-203092100/01  
● Daniela Sindram, Vladimir Stoupiel, Andreas Grau and Götz Schumacher: the mezzo-soprano and pianists perform works by Scriabin, Debussy and Mahler; 7.30pm; Mar 14

### CHICAGO

#### OPERA

Civic Opera House & Civic Theatre Tel: 1-312-332-2244  
● *Siegfried*: by Wagner. Conducted by Zubin Mehta and performed by the Lyric Opera of Chicago; 8pm; Mar 14

#### EXHIBITION

Art Institute of Chicago Tel: 1-312-443-3600  
● In the Kisho Kurokawa Gallery: "Contemporary British Architects: Recent Projects from the Royal Architecture Section of the Royal Academy Summer Exhibition". Sponsored by the FT, the exhibition contains drawings, models and photographs of buildings designed by Sir Norman Foster, Nicholas Grimshaw, and Richard Rogers, as well as work by younger architects; to May 5

### DUSSELDORF

#### CONCERT

Tonhalle Düsseldorf Tel: 49-211-8992081  
● London Philharmonic Orchestra:

with conductor Franz Welser-Möst and violinist Christian Tetzlaff perform works by Elgar, Beethoven and Brahms; 8pm; Mar 11

### HELSINKI

#### DANCE

Opera House Tel: 358-0-403021  
● Swan Lake: a choreography by Bourmeister after Petipa/vanov to music by Tchaikovsky, performed by the Helsinki Ballet; 7pm; Mar 12

### LONDON

#### CONCERT

Barbican Hall Tel: 44-171-6388891  
● The English Chamber Orchestra: with director/Violinist Pinchas Zukerman, soprano Heidi Grant Murphy and baritone Thomas Quasthoff perform Beethoven's *Violin Concerto* in D, Op. 61 and excerpts from Mozart's *Die Zauberflöte* and Don Giovanni; 7.30pm; Mar 12  
Wigmore Hall Tel: 44-171-9352141  
● The Gothic Voices: with director Christopher Page perform Gregorian chants; 7.30pm; Mar 12

#### DANCE

Royal Opera House - Covent Garden Tel: 44-171-2129234  
● Giselle: a choreography by Pepita to music by Adolf Adam, performed by The Royal Ballet. Soloists include Sylvie Guillem and Jonathan Cope; 7.30pm; Mar 12, 14

#### EXHIBITION

Whitechapel Art Gallery Tel: 44-171-5227888  
● Jeff Wall: Eighteen large, illuminated transparencies by the Canadian artist. Each work consists of a photographic transparency in a

wall-mounted light box. They include street scenes and landscapes, interiors and still lifes, as well as tableaux based on fantastic scenarios; from Mar 13 to May 5  
Opera London Coliseum Tel: 44-171-8360111  
● Tristan and Isolde: by Wagner. Conducted by Mark Elder and performed by the English National Opera; 8pm; Mar 11

### MAASTRICHT

#### ART & ANTIQUE FAIR

MECO Tel: 31-43-383-8383  
● The European Fine Art Fair: more than 160 art dealers from Europe, the US and Hong Kong present highlights of their collection. They include two paintings by Van Gogh, portraits by Rembrandt, Rubens and Frans Hals, Rodin's "Printemps Eternelle" and works by Picasso and Matisse; to Mar 17

### NAPLES

#### OPERA

Teatro di San Carlo Tel: 39-81-7972111  
● Rigoletto: by Verdi. Conducted by Daniel Oren and performed by the Teatro di San Carlo. Soloists include José Bros, Leo Nucci, Angeles Blancas Gulin and Francesca Franci; 8.30pm; Mar 12, 15

### NEW YORK

#### CONCERT

Avery Fisher Hall Tel: 1-212-875-5030  
● James Galway and Phillip Moll: the flutist and pianist perform works

by Schubert, Galtow/Fauré, Widor, Briceford and Doppler; 3pm; Mar 10

### PARIS

#### CONCERT

Salle Pleyel Tel: 33-1-45 61 53 00  
● Orchestre Symphonique Français: with conductor Laurent Pottgiard, pianist Louis Lortie and mezzo-soprano Anne Holroyd; 8.30pm; Mar 12

### ROME

#### OPERA

Teatro dell'Opera di Roma Tel: 39-6-481801  
● Turandot: by Puccini. Conducted by Yuri Ahronovitch and performed by the Opera di Roma; 4pm; Mar 10, 12 (8.30pm)

### STOCKHOLM

#### OPERA

Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300  
● Tosca: by Puccini. Conducted by



Philip Stephens

## A Euro-stalemate

The government's white paper on the intergovernmental conference will result in much posturing. But the issue is not a vote-winner

Europe will loom large in the British general election campaign. The issue has torn the Conservatives apart for the best part of seven years. Some might consider that John Major would be wise to let it rest. Witness the latest outbreak of infighting on the Tory backbenches. But he thinks there are votes in the issue. Tony Blair, the Labour leader, worries that he may be right. They are both wrong. But that will be no hindrance. Do not expect the impending intergovernmental conference, or IGC in the jargon, on the future of the European Union, to inaugurate an uplifting debate about Britain's relationship with its continental neighbours. Not among politicians at Westminster anyway. Brace yourself instead for a barrage of hyperbole, half-truths and blatant falsehoods. And then more.

The government's pitch is clear enough. It goes like this. Mr Blair intends to sell out to Europe. He will sign up to the social chapter of the Maastricht treaty, surrender the national veto, and hand over power to the Brussels bureaucrats. Before we know it, the House of Commons will have the status of a local council. Not long afterwards, Belgians and Greeks will be ordering British soldiers to war.

Mr Blair's response is similarly predictable. Mr Major, a prisoner of the Eurosophes, will leave Britain isolated and without influence. From there it is but a small step to complete withdrawal. Investment will collapse, the Japanese will take their car and electronic plants elsewhere, millions of jobs will be lost.

The government thinks that it has the best of this depressing bargain. The voters have been fed a rich diet of anti-Europeanism. In Britain's foreign-owned newspapers, the mere mention of Brussels causes acute paranoia. After all, you can no longer shoot an IRA terrorist or sink a Spanish fishing boat without maddening interference from the European Court.

I do not think the electorate is that stupid. The British are a pragmatic lot. Tell them jobs are at risk and they listen. They may not like Europe but they know they need it. Their employers agree.

To my mind that adds up to political stalemate. But peek behind the caricatures and the picture appears more subtle. The careers of Malcolm Rifkind, the foreign secretary, and Robin Cook, his Labour shadow, tell us the story in microcosm.

Back in the 1970s Mr Cook was a stalwart of the "socialism-in-one-country" faction of his party. Europe was a nasty capitalist club. On the other side, Mr Rifkind was as committed a European as you could find. Ever since their positions have converged to a point where there they have just crossed.

The foreign secretary is no Eurosophic. But he wants to call a halt to the process of integration. No more majority voting, no more powers for the European parliament and most importantly, no single currency. As for Mr Cook, it is still hard to label him a Eurosophic. But he is still heading in that direction. Sure, he sees in a single currency an unwelcome distraction, but his objections are more practical than theological.

So Messrs Rifkind and Cook will doubtless find cause to shout at each other next week.

**On the big issues of Europe which preoccupy Germany and France, you could not slip an Ecu note between Labour and the Tories**

when the government publishes its white paper on the intergovernmental conference. The language of this long-promised document will be consciously upbeat about the political and economic benefits of the EU (a sop for the Tory left) while reaffirming the government's entrenched opposition to further integration (an olive branch for the sceptics).

The white paper's central contention will be that there must be no erosion of the "three-pillared" structure of the Union established at Maastricht. The Union's competence in areas such as the single market, trade and agriculture must not spill over into foreign policy or home affairs. These must remain the preserve of intergovernmental co-operation.

As for those areas already within the remit of the Commission and the European parliament, the government promises to veto any significant shift in the balance of power between Brussels and London. Sure, it will back some tinkering with the institutions, an acknowledged prerequisite for further enlargement. It will seek in return some minor curbs on the power of the European Court. But that is all. The government expects nothing of substance from this conference, and will give nothing.

Mr Cook will denounce such minimalism as evidence of Mr Major's imprisonment by the sceptics. But beyond Labour's promised signature on the social chapter, a modest extension of qualified majority voting to areas such as industrial research, and a more positive tone of voice, he will promise little different.

On the big issues which preoccupy Germany and France — the creation of single foreign and security policy or common supervision of borders — you could not slip an Ecu note between the two parties. Labour will no more accept the possibility of being outvoted on immigration or defence issues than

would the Conservatives.

As for the biggest issue of all, a single currency, I am told that the white paper will mention it in several places, but will not upset Mr Major's perilously precarious balancing act over whether sterling Britain might participate. As he indicated in the Commons yesterday, the prime minister wants to promise a referendum on the issue. His advisers have warned him that a barmy army of anti-European candidates preparing to fight the general election under the standard of Sir James Goldsmith's Referendum party could well inflict damage on the Tories.

Kenneth Clarke, backed by Michael Heseltine and one or two others in the cabinet, flatly rejects such a commitment. The chancellor's view is that a sensible decision on whether Britain should join a single currency could be taken only by a free vote in the House of Commons. He considers that to set up another obstacle now would be to deprive the government of what little influence it retains in shaping Emu. The furthest he will go in Mr Major's direction is to say that a referendum could (or, at a push, should) be considered if and when the government faced the choice.

So the prime minister must decide whether to press the case at the risk of losing Mr Clarke. I am not sure that the chancellor would resign if overruled. But I do know that he would consider it. These are high stakes.

The sensible course would be to sidestep the issue. Mr Blair, I am told, is as dubious as Mr Clarke of the wisdom of offering hostages to fortune. He will promise a referendum only if Mr Major does. As for the voters, this is all an irrelevance. Unless one side or the other is foolish enough to validate the caricature painted by its opponent, there are no votes in Europe. Mr Major should let the issue drop. Somehow, though, I doubt that his party will let him.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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### New social expectations demand more from business

From Mr Greg Parston.

Sir, Robert Reich is correct to argue ("A hand across the great divide", March 6) that business must take a broader view of its role in society, but he is wrong to focus so narrowly on its responsibilities to the workforce.

Of course employees are vital stakeholders along with shareholders and customers. But more and more businesses are being asked what they are doing to meet the wider interests of their communities and of the public.

What are you doing for our schools? Our health care? Our elderly? Our environment? are questions which are increasingly asked of business. Community is stakeholder too.

The new social expectations are enduring, and apparent failure to meet them is as dangerous as failure to meet the expectations of shareholders, customers or employees.

In 1994, for example, when The Body Shop's social commitments were challenged in a series of unfriendly news reports, public image and market worth suffered.

To support these new social accountabilitys, tomorrow's companies will have to find new ways of organising and measuring performance. Above all, they will need to be led by socially responsible executives who can design organisations that go beyond physical and legal limits and embrace community.

These leaders will not be able to remain anonymous; they will be known by what they stand for and by the social as well as the financial results they produce.

Greg Parston, chief executive, Office for Public Management, 252b Gray's Inn Road, London WC1X 8JY, UK

### Environment action short on detail

From Mr David Earnshaw.

Sir, It is unfortunate that Derek Osborn's sentiment is hardly matched by his analysis ("Action plan for everyone", Viewpoint, March 6).

The European Commission's proposal to update the European Union's current environmental action programme (1992-2000) is far from being the "bold and wide-ranging document" which he claims. In fact, it is long on high aspirations — but distinctly short on specific deadlines, targets and detail. It merely reiterates a series of previously established environmental policy priorities, and adds little, if anything, which is new. It is as silent on specific timescales as it is on the particular legislative measures which might flow from it.

One of the reasons EU environmental policy and legislation has been so successful in prompting environmental improvement

(despite often being criticised by those affected by it), is precisely because it has tended to include clear targets and deadlines. These provide legally enforceable yardsticks against which pollution can be measured, and improvements made.

The UK is a case in point. EU environmental legislation now provides by far the greatest part of the flesh on the bare skeleton of environmental policy which existed in the UK prior to its accession to the EU. Indeed, Osborn gives numerous examples of where EU environmental policy, from chlorofluorocarbon reduction and elimination to the Urban Waste Water Directive, has prompted change through having set standards and targets for improvement.

Of course, the actual setting of timescales and standards with which industry, farmers, energy providers, water authorities and others are

required to comply is often hotly contested.

As Osborn points out, an "intensive debate" is likely during 1996 on the Commission's latest plan. However, for the plan to have any real impact on everyone's environment, as he hopes it will, the EU's Environment Council and the European Parliament's Environment Committee now both need to take up where the Commission has left off.

These two will need to assume the responsibility, largely abdicated by the Commission, for investing the proposal with real and measurable targets, and a set of timescales over which its worthy aspirations to environmental improvement can actually be achieved.

David Earnshaw, 164 rue Victor Hugo, Brussels, B-1040 Belgium

### Companies should deal with dangerous situations before they result in deaths

From Mr Guy Dehn.

Sir, Your leader ("Company deaths", March 6) calls on the government to implement the Law Commission's proposals for a new offence of corporate killing. The incidents you cite as justifying the need for these changes are the disasters at Zeebrugge, Piper Alpha and Clapham.

However, the official inquiries into these disasters clearly show the need for a bill which received an unopposed second reading last Friday. The inquiry into Zeebrugge found that staff had raised concerns that ferries were sailing with their bow doors open. The inquiry found that if "this sensible suggestion... had received the serious consideration it deserved, this disaster may well have been prevented". The inquiry into Piper Alpha found that workers "did not want to put

their employment in jeopardy through raising a safety issue that might embarrass 'management'. The inquiry into the Clapham rail crash found that a supervisor had noticed loose wiring before the crash, but did not want to "rock the boat".

Surely it is desirable to give those in charge of organisations the opportunity to deal with dangers before disaster strikes? By protecting responsible whistleblowers, the public interest disclosure bill does just that. It will be interesting to see whether the government views it as a greater burden on business than the criminal sanctions proposed.

Guy Dehn, Public Concern At Work, Lincoln's Inn House, 42 Kingsway, London WC2B 6EN, UK

From Mr Joe McCarthy. Sir, Your leader insists that individual directors should not "be jailed for the carelessness of the company as a whole". At a time when many directors happily receive large performance-related bonuses, surely this is an illogical view.

A few "performance-related prosecutions" would do much to concentrate minds on the necessity for effective management of safety at workplace level, and to transform boardroom platitudes into positive action.

Joe McCarthy, former senior research officer, Accident Prevention Advisory Unit, 83 Highbury Grove, Clapham, Bedford MK41 6DX, UK

## Pfizer forum

How can we get patients involved in patient information around the world?

BY JULIA NEUBERGER

Patients in Europe are becoming increasingly involved in making decisions about their own health care. A leading patient advocate in the UK argues that they should also be enlisted to help develop the information provided to patients.

Information available to patients and users of health services varies considerably around the world. These differences reflect different views about the respective role of healthcare worker and patient. In the United States the patient is seen as the decision maker, acting on professional advice. It is common there for long, detailed lists of possible side-effects to be read out to patients (though the hospitals' fear of lawsuits is probably also a motive). Patients are even sometimes compelled to attend education classes before treatment.

In much of Europe, where the social hierarchy is more pronounced, the doctor is seen more as a father figure. Blanket consent forms for surgery are still commonplace. Yet with all the cultural differences, things are changing and the need to involve patients in decision-making has increasingly been recognised. In the UK, the Patients' Charter in 1992 stated the right "to be given a clear explanation of any treatment proposed, including any risks or alternatives, before you decide whether you will agree...". This was not embodied in legislation, but the government required regional health authorities to set up consumer information services.

However, patients have not generally been involved in deciding what information should be provided. While the single disease associations have tended to base their advice heavily on the experience of patients, they have been the exceptions among the growing number of consumer health information services.

Some governments have given patients information such as access to medical records (France has let parents have their children's records since 1945), and to outcomes data where available. The Department of Health in England and Wales was reluctant to publish comparative death rates for hospitals in 1994, when



patients are often too close to the subject to judge how users will react to information. Even consumer groups become professionalised, and less aware of difficulties in understanding this type of information. Focus groups have been shown to work in other areas, and there is no reason why they should not work here. If lay people can understand research

proposals as they have to do as members of research ethics committees (IRBs), they should be able to participate usefully in reviewing what information is provided.

Some organisations have already involved lay people in this way — such as the Help for Health Trust in Winchester, UK and the Beth Israel Hospital, Boston, Massachusetts amongst others. Their example should be followed. It will increase the patients' understanding, transform the balance of power to a more equal and therapeutic relationship, and possibly even improve patients' compliance with the recommended treatment.

Julia Neuberger chairs Camden and Islington Community Health Services NHS Trust, and is a vice-president of the Patients Association. She is also a member of the General Medical Council and the Medical Research Council.



### Europa's Sixten Korkman

## A more balanced picture

The overall effect of monetary union on employment is favourable rather than harmful

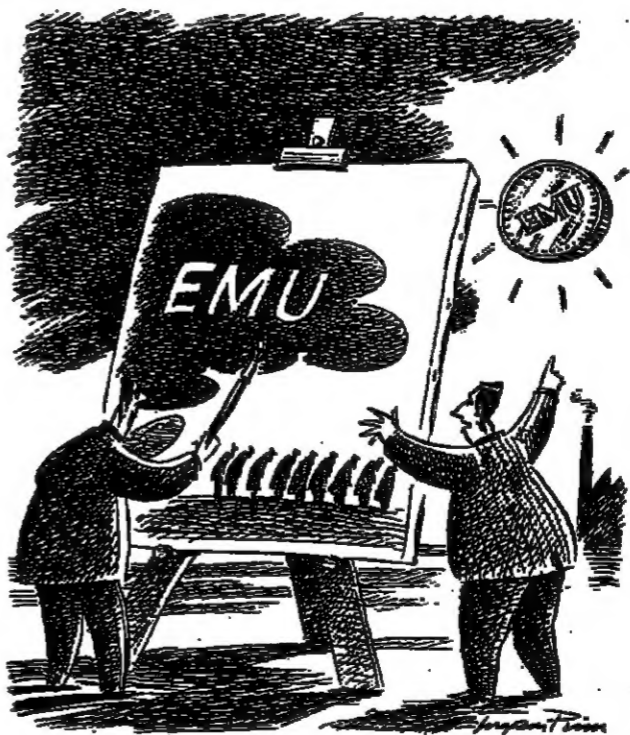
High unemployment poses a serious threat to European economic and monetary union. It spreads pessimism and reluctance to change. It gives rise to fears that Emu will increase unemployment even further. It tempts people to believe cancelling Emu would help reduce interest rates and revive growth.

The view that Emu will destroy jobs is widely held but rarely backed up by substantive reasoning. It cannot be refuted by simply stating the opposite, by claiming that Emu is good for employment. The fears can be dispelled only by explaining why the overall effects on jobs might be favourable rather than harmful.

One reason given for fearing Emu is that the priority given to price stability is a threat to growth and employment. That priority is spelt out in the Maastricht treaty, which foresees the creation of a European Central Bank which would be politically independent and strongly committed to the maintenance of price stability as the primary objective of monetary policy. But the treaty is mostly silent on the issue of employment.

Is there a lack of balance in the treaty and in the objectives set for the central bank? The near-consensus answer by economists is "no" — because inflation is harmful for economic activity. It increases uncertainty, makes business calculations difficult and puts exchange rates under pressure. It also erodes the credibility of monetary policy, forcing up interest rates in countries seen as high risk in inflation terms. Financial deregulation and the globalisation of capital markets mean that inflation expectations can have a large impact on national economies. Inflation can spiral out of control and must sooner or later be combatted by tight policies, even if this imposes high economic and social costs.

There is no conflict between stability and growth; inflation



ary policies do not create jobs. Historical experience supports the conclusion that rapid inflation is associated with weak long-term growth.

In the short run, however, there is a trade-off: actions to combat price increases hurt growth and employment. Joining Emu is thus a problem for high-inflation countries, and they should remain outside the monetary union until their inflation rates fall.

The second reason for fearing Emu is that locking exchange rates may increase unemployment in specific countries facing particular difficulties — for example, those affected strongly by changes in fuel prices or developments in important sectors.

Member states differ. They occasionally face different problems, and need differentiated policy responses. The monetary policy pursued by the European Central Bank may be too tight for one member state, yet too lax for another. Given the structural differences between countries Emu may increase the difficulties of adjustment to country-specific shocks.

Not surprisingly, monetary union yields benefits and costs, and their relative weight will vary from country to country. For most member states, the degree of economic integration

is high enough to justify a common currency. The benefits in terms of monetary stability and economic efficiency will outweigh the costs in terms of a loss of (limited) autonomy over monetary policy.

But joining the monetary union and eliminating the freedom to adjust exchange rates may be a problem for some countries — in particular, those relying on a few important industries or with inflexible labour markets. They might want to remain outside until they have become more integrated into the European economy and increased the flexibility of their labour markets.

The third fear is that Emu will be bad for jobs because it requires fiscal tightening. Cutting budget deficits to meet the convergence criteria for joining the single currency could cause or magnify recession.

Europe's welfare states have become caught in a debt trap: government deficits, public debt levels and high taxes are reducing growth rates, while weak growth is adding to the deficits by pushing up welfare costs and reducing tax revenues. These difficulties could worsen in the long run as ageing populations add to the pressure on pension and health expenditure. Fiscal tightening is imperative — but it has next

to nothing to do with Emu or the Maastricht treaty. There is, however, a short-term problem. Meeting the criteria for monetary union may impose excessive fiscal tightening at a time of weakening demand growth when conventional economic policy would allow cyclical increases in budget deficits.

The dedicated efforts of fiscal tightening should not be denied. But neither should they be exaggerated — they must be faced and dealt with in an appropriate way. Some consideration might be given to cyclical effects when assessing convergence requirements. The budget deficit will be larger in a recession than otherwise. It is important to assess not only the actual deficit but also the underlying trend.

Second, member states should undertake structural reforms to reduce public expenditure. Cutting entitlement levels in social programmes (including pensions) reduces "invisible" debts, expenditure commitments for future years. It thus improves the fiscal balance in the long term without necessarily cutting demand in the short term. Such measures might be taken into account when assessing economic convergence.

Third, entry into Emu might be delayed for a short time for some EU states, until the economic cycle turns up again. There would be no serious impact on Emu provided a critical mass of states — including Germany and France — start monetary union by 1999.

It is unfortunate that Emu in the minds of many people has come to be closely associated with fiscal consolidation and unemployment. The trend of rising public indebtedness must be reversed anyway — and it would perhaps have to be done more brutally if Emu does not materialise and financial instability intensifies.

Unemployment is primarily a consequence of structural malfunctions and secondarily of monetary policies inappropriate for Europe as a whole. Emu has nothing to do with the former problem and can contribute towards resolving the latter.

The author is general director, Economic and Financial Affairs, of the secretariat of the Council of the European Union. However, this column reflects his personal view.

## FINANCIAL TIMES

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## Ending trade corruption

As the only country to outlaw the use of bribes to win foreign business, the US can reasonably maintain that virtue is not its own reward. US companies have long complained that the prohibition is a gift to less scrupulous competitors on world markets. However, Washington's insistence this week that governments elsewhere take action, or face the threat of trade sanctions, should not be dismissed just as another attempt to foist its laws on others. Though US tactics are debatable, it is right to focus international attention on the problem.

Corporate bribery not only enriches the undeserving, it distorts competition and reduces efficiency, most obviously by corrupting the fair award of public contracts. Such contracts represent at least 10 per cent of global economic output. The US is therefore correct to argue that the matter is a proper concern for the World Trade Organisation.

This year, the WTO introduced stricter rules to promote freer international competition and greater transparency in government procurement. But the rules, though detailed, cover only about 20, mainly industrialised, economies. More of the WTO's many developing country members should be encouraged to sign up. To persuade them to do so, there is a case for subjecting them, initially, to simpler disciplines which would be less burdensome to administer.

Further trade liberalisation could be usefully buttressed by development aid policies. Transparency International, an anti-corruption pressure group, has sensibly suggested that aid donors require that bidders for the projects they finance sign pledges not to offer bribes. Companies would have still less incentive to do so if governments of all industrialised countries ensured that corporate bribes were no longer tax-deductible. Until they do so, rich countries will be in a weak position to urge poor ones to reform their public procurement practices.

However, there are limits to what can be achieved through a "top down" approach, which relies on closer international co-operation. As long as there are willing takers of bribes, there will be enthusiastic givers. Curing the cancer of corporate corruption depends heavily on the progress of reform within countries. Increasing privatisation should help that process. Removing companies from government control, and requiring them to respond to commercial imperatives, greatly reduces the scope for illicit inducements.

It is also encouraging that in developed as well as developing countries, corruption is increasingly being exposed and prosecuted. That suggests public and judicial tolerance of such malpractices is rapidly diminishing. The real battle for cleaner corporate ethics begins at home.

## Heed the judges

When the lord chief justice issues a considered and detailed denunciation of proposed changes to the criminal justice system it is the duty of government to listen. Sadly, Mr Michael Howard, the home secretary, appears unwilling to accord the judiciary even that small measure of influence.

Lord Taylor's criticism this week of Mr Howard's plans for a new criminal justice bill have brought to a head a long simmering conflict. It has also thrown into sharp relief the rising tension in the judicial system between the respective responsibilities of elected politicians and judges.

In what was seen as an overtly populist move tailored to the prejudices of the Conservative party conference, last autumn Mr Howard announced plans for a tougher sentencing policy for violent criminals and repeat offenders. The proposals, to be set out in a forthcoming white paper, would introduce mandatory life sentences after two convictions for serious violent or sexual offences. They would also set out stiff minimum sentences for persistent drug dealers and burglars.

Mr Howard's case is that mandatory sentences are essential to protect the innocent from violent criminals and repeat offenders. The proposals are cast as a response to justified public outrage when dangerous criminals are freed from prison only to commit further offences. Life sentences would ensure that such people were released only after a review by the parole board.

Lord Taylor and most of his colleagues, however, are certain the proposals would not work. They argue that it is the prospect of getting caught which most deters criminals.

Minimum sentences would cause injustices by preventing judges from passing sentences which reflect the individual circumstances of the case. They would also remove the incentive for offenders to plead guilty, adding to the pressure on overburdened courts and prisons. In the most extreme cases, the prospect of a mandatory life sentence might encourage a violent criminal to kill his victim.

Such arguments are persuasive, particularly against the background of constant upheaval in the criminal justice system which has characterised Mr Howard's tenure at the Home Office. Mr Howard is correct in saying that victims have the right to expect transparency in the judicial system and to see that sentences handed down by the courts mean what they say.

But the home secretary's plan tips the balance of responsibility too far in the direction of the executive at the expense of the judges. As the European Court of Human Rights has pointed out, it is dangerous to vest in politicians the discretion to decide how long an individual remains in prison. Parliament should set a sentencing framework for the courts, but judges must be left to decide the circumstances of each case. Mr Howard should listen.

## John Bull's fish

John Bull is having one of his fits about foreigners. This time it is over their being compensated for his failed attempts to stop them stealing his fish. He is even talking of leaving the common fisheries policy (CFP) of the European Union altogether. There is only one problem with all of this: it is nonsense.

First, leaving the CFP would mean leaving the European Union. It is possible to imagine circumstances in which the UK might want to do so. Protecting an industry that generates 0.1 per cent of gross domestic product and a still smaller share of employment is not among them.

Second, fish do not recognise frontiers. If the stocks of the European continental shelf are to be conserved, there must be a European-wide policy. The UK does have a high proportion of fully grown fish in its waters, but many of them spawn and grow elsewhere. It is senseless to demand 100 per cent of what could turn out to be nothing.

Third, scientists insist that European politicians continue to grant dangerously large quotas. The threat to stocks is a real one. Prior to the introduction of the CFP, the herring catch fell from 1.4m tonnes a year in the mid-1960s to only 0.5m tonnes a decade later. The impact of overfishing can also be sudden and total, as the disappearance of cod off Canada's Atlantic coast demonstrates.

Fourth, monitoring and policing

are too lax. The only sensible way to remedy the consequences for the conservation of fish is to create and fund a European-wide system that would be less partial to particular national interests.

Fifth, national quotas are, quite reasonably, divided on the basis of shares in catches in 1983, when the CFP was agreed. Quite rightly, it is possible for fishermen to transfer the quotas among themselves by buying and selling licenses to fish. Under European law it is impossible, however, to prevent nationals of other member states from purchasing these licenses, since discrimination on the basis of nationality was ruled out by the European Court of Justice in 1991. The case recently lost by the UK merely requires it to compensate foreign fishermen for what turned out to be illegal attempts to exclude them between 1988 and the date of that ruling.

Finally, however upsetting the outcome may be for the UK industry, the sale of licenses is a market transaction. They could have been bought by UK nationals. More significantly, this is surely just an example of direct investment across frontiers, which is fundamental to the single market favoured by the UK government.

Jingoism may stir the blood, but it will fail to conserve the fish. The only way to do so is to create a stronger common fisheries policy. That is not a sell out of British interests. It is the only effective way to protect them.

## Prescription for the future

The merger of Sandoz and Ciba is likely to launch a further round of restructuring in the drugs and chemicals sector, says Daniel Green

On November 30 1995, Mr Marc Moret, chairman of Sandoz, the Swiss pharmaceuticals company, crossed the river Rhine in Basle to visit the company's century-old rival Ciba. He carried plans for a merger that would change the corporate landscape for the world's pharmaceuticals and chemicals industries.

Those plans became reality yesterday. The merged business, called Novartis, is the world's second biggest pharmaceuticals company by sales, with combined sales of \$26.6bn and a 4.4 per cent share of the global market. In agrochemicals, it is more than twice the size of its nearest rival.

Although it is by far the biggest deal in the pharmaceutical industry, it is only the latest in a string of 16 healthcare deals each worth \$1bn or more since January 1994. Last year, Glaxo paid \$8.1bn for the UK company Wellcome. American Home Products bought American Cyanamid for \$10bn. Sweden's Pharmacia merged with Upjohn of the US.

Companies struggling to cut costs have been buying rivals or merging with them. But the merger of Sandoz and Ciba is the first in which both parties would have been strong enough to survive on their own.

"This decision has been taken from a position of strength in anticipation of a future that will be different from today," says Dr Daniel Vasella, the 42-year-old chief executive of the Sandoz pharmaceutical division who will be president of Novartis.

Both companies yesterday reported strong profits growth in 1995. Ciba's net profits were 13 per cent higher than in 1994, while net profits at Sandoz rose 19 per cent.

Those figures make Ciba the ninth biggest drugs company in the world by sales, according to data collected by IMS International, the pharmaceuticals market research organisation. That puts it ahead of international giants such as Bayer of Germany and Eli Lilly of the US. Ciba is a leader in drugs to deal with arthritis and high blood pressure. It owns the second biggest supplier of generic - unbranded - drugs in the US, a business that has become increasingly important as US healthcare suppliers have sought to cut costs by buying cheap off-patent drugs.

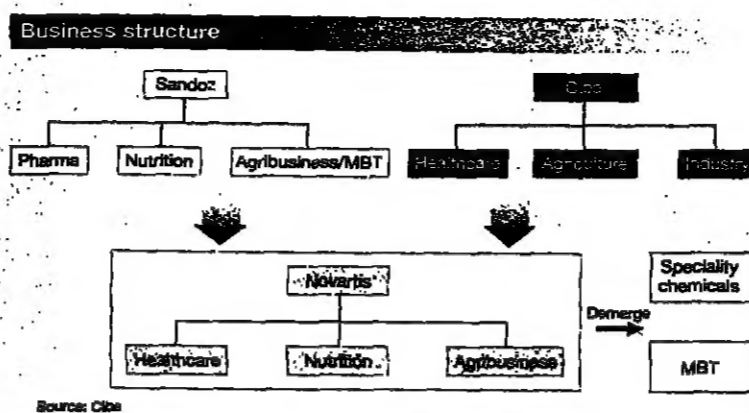
Sandoz, at 14th in the global league table, is the size of Schering-Plough of the US and bigger than the newly merged Pharmacia & Upjohn. It dominates the market for drugs to prevent transplanted organs from being rejected and has fast-growing products in schizophrenia and fungal infections.

Both companies have been more active than most rivals in building stakes in the biotechnology sector which is seen in the industry as a promising source of new top-selling drugs. Ciba has effectively a controlling interest in Chiron - for which it paid \$3bn in November 1994 - one of the top three US biotechnology companies. Sandoz last July bought GTT of Maryland, a pioneer in the gene therapy field, for \$250m.

Such strategies led James Capel, the London stockbroker, to forecast that earnings per share at Sandoz would grow at an average of 12 per cent a year for 1994 to 1998. The figure for Ciba was 11 per cent.

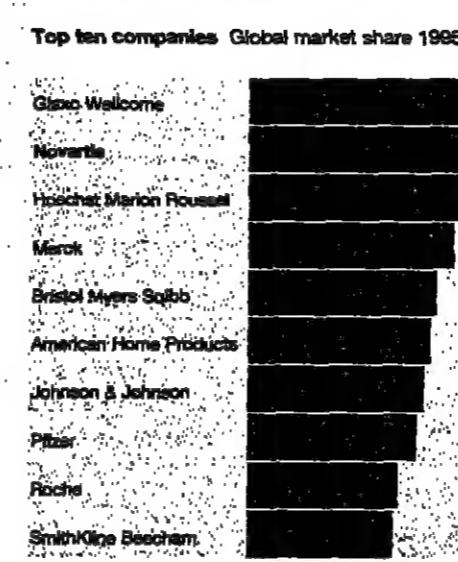
Sandoz, the faster-growing of the two partners, was under no immediate pressure to abandon its independence. But its top managers believed that pharmaceutical companies would need to be strong in

## Novartis: the shape of things to come



Source: Ciba

Market position



Source: Ciba

Key financial facts

Combined market capitalisation SFr at 1.5.1995

Share price	Market capitalisation
Sandoz 1,137	43bn
Ciba 1,085	32bn
Novartis -	75bn

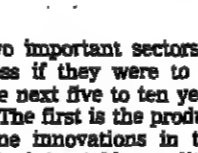
Source: Ciba

Net profit SFrbn 1995



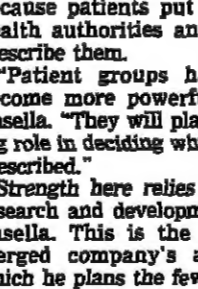
Source: Ciba

Total sales SFrbn 1995



Source: Ciba

Novartis regional sales distribution 1995



Source: IMS Pharmaceutical Market World Review

Novartis regional ranking 1995

Europe	2
North America	6
Asia/Australia/Africa	6
Latin America	1
WORLD	2

Source: IMS Pharmaceutical Market World Review

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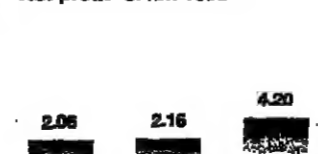
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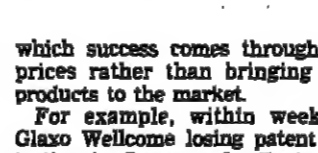
Source: Ciba

Net profit SFrbn 1995



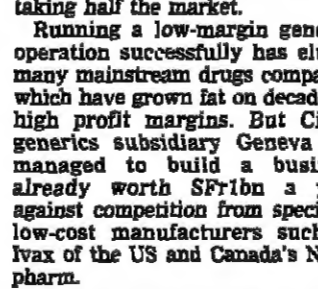
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Source: Ciba

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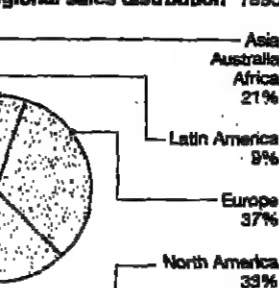
Source: IMS Pharmaceutical Market World Review



Alex Krauer  
Ciba chairman

Source: Ciba

Novartis regional sales distribution 1995



Source: IMS Pharmaceutical Market World Review

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Source: IMS Pharmaceutical Market World Review

In the spring of 1985, the Ciba board was looking at two options: to follow the Anglo-Saxon strategy of concentrating on fewer core businesses; or to retain its diverse interests in the same way as continental European companies, such as Rhône-Poulenc of France and Hoechst and Bayer of Germany. As Sandoz demerged its chemicals business, Clariant, Ciba decided to follow the Anglo-Saxon strategy.

"We decided we wanted to participate actively in the industry's consolidation," says Mr Alex Krauer, Ciba's 64-year-old chairman who will be chairman of the merged company. "But we wanted to do it at a time when we are strong and 1995 was a record year."

Ciba looked tentatively at several companies before Mr Moret made his epic, if short, journey to visit its headquarters. "A lot of credit goes to Moret for burying the hatchet," says a member of the Ciba team.

Both companies are now presenting the deal as a perfect marriage. A friendly share swap avoids plunging the new company into the kind of debt that now saddles rivals that have made bids with cash such as Glaxo Wellcome and SmithKline Beecham. The personality clashes are minimised because of the impending retirements of Mr Moret and Mr Heidi Lippuner, Mr Krauer's number two at Ciba.

As Swiss companies, they share some cultural elements that should help speed the process of integration. And the two companies have strengths in complementary medical areas, with virtually no competition between them over particular drugs.

However, there will be inevitable difficulties in merging the two operations and reducing the overlap between them. The two companies have a similar geographical spread. As well as having neighbouring headquarters in Switzerland, their US headquarters are just 15 minutes' drive apart in New Jersey. Only one north American headquarters is likely to survive. Novartis plans to shed 13,000 jobs from a workforce of 134,000 to save SFr1.8bn a year.

Painful decisions, too, may have to be made in the two agrochemicals businesses. Ciba was already the world's number one and is likely to absorb the much smaller Sandoz operation. The restructuring could cost SFr2bn.

## Shrinking GDP adds to German economic gloom

By Wolfgang Münchau  
in Frankfurt and  
Gillian Tett in London

German gross domestic product contracted by 0.5 per cent during the fourth quarter last year, according to data published yesterday.

The figures from the Federal Statistics Office add to the current gloom about the German economy and come a day after the Federal Labour Office announced another postwar unemployment record, with 4.3m people out of work in February, equivalent to 11.1 per cent of the workforce.

A survey from the European Commission yesterday suggested that the recent downturn in Germany was being echoed across the continent. Business and consumer confidence dropped last month in almost all European Union countries. Companies across the continent reported falling orders in both domestic and export markets. Consumers also became gloomier about their financial outlook, while fears of unemployment rose.

Yesterday's output data were widely discounted in financial markets, although several GDP components appeared to cause some surprise. These included the strong fall in inventory accumulation and a rise in private consumption. Some economists were puzzled by the 3.4 per cent rise in exports from the previous quarter, and the 5.5 per cent rise year-on-year.

The German economy grew 1.9 per cent last year. Output rose 1.6 per cent in west Germany and 5.8 per cent in the east, a significant slowdown.

Mr Hans Tietmeyer, president of the Bundesbank, told journalists on Wednesday that the German economy would be heading for a rebound later in the year.

He dismissed speculation in Germany that interest rates might soon be heading upwards, a comment seen as a further indication that the Bundesbank may cut interest rates at some stage.

Mr Günter Rexrodt, economics minister, yesterday said: "There can be no question of a slide into recession or zero-growth for

1996." He called on employers and trade unions to renew efforts to create an "alliance for jobs", an initiative under which trade unions agree to reduce wage demands in exchange for job guarantees. The proposal, however, is now in danger of faltering as Gesamtmetall, the engineering employers' association, has demanded a 20 per cent cut in wage costs as a precondition for further jobs expansion.

The European Commission reported that confidence fell in Europe throughout last year. However, at the start of this year the decline eased slightly, fueling hopes that sentiment might be changing. The Commission, together with most European governments, is insisting growth will rebound in Europe this year.

However, the figures for February showed sentiment was again falling, leaving it at levels last seen in early 1994. German, French and Belgium companies all reported weaker conditions. However, Italian and UK companies, which have hitherto been more upbeat, also reported a sharp fall in order books.

## Japanese business body warns on budget deadlock

By William Dawkins in Tokyo

The Kaidanren, Japan's leading business federation, yesterday warned that the economy would suffer unless the country's feuding politicians quickly ended their four-day budget impasse.

Mr Shoichiro Toyota, the Kaidanren's chairman, said any further delay "will shake confidence in domestic and foreign markets" and push up the premium which Japanese banks have had to pay to borrow funds abroad.

For the government Mr Seiroku Kajiyama, chief cabinet secretary, also warned that Japan's fragile recovery could be harmed by the slightest upset.

This is the first time a business lobby has voiced formal concern over the current budget deadlock, caused by the opposition New Frontier party's attempt to block a government plan to allocate ¥850bn (\$64bn) of public money to the liquidation of bankrupt housing loan companies, or jusen, an important part of official attempts to stabilise the financial system.

Unemployment spread yesterday to the equity market, where the Nikkei 225 average fell 284.03 points to 19,957.15, a seven-day low.

However, there seemed little prospect last night of early agreement on this year's ¥76,105bn budget, as the ruling coalition and opposition plunged deeper into a tangle of allegations and procedural ploys.

Mr Takako Doi, speaker of the lower house of parliament, summoned senior officials of the NFP and the Liberal Democratic party, biggest of the three ruling coalition parties, in an attempt to restore parliamentary order. But NFP politicians continued their sit-in outside the parliamentary budget committee, an unprecedented protest in Japan's postwar parliamentary history.

The opposition, meanwhile stepped up the pressure on the government yesterday by refusing to discuss the budget unless the LDP presented Mr Koichi Kato, its secretary-general, for parliamentary questioning over allegations of receiving an illicit ¥10m political donation.

Mr Kato denied receiving the money, but a growing number of LDP members reportedly suggested that the NFP's demand to question him was a reasonable price to pay for achieving agreement on the budget.

In anticipation of continued deadlock, the government has started to draw up an interim budget. This was last needed two years ago, when the LDP itself delayed the budget to put pressure on Mr Morihiro Hosokawa, then prime minister but now in opposition, to disprove allegations of personal financial impropriety. That battle ended in Mr Hosokawa's resignation.

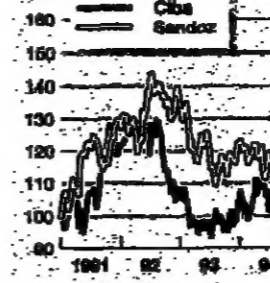
Transaction curbs, Page 6

## THE LEX COLUMN Drug highs

FT-SE Eurotrack 200:  
1634.5 (+14.9)

Series: pharmaceuticals

Share prices relative to the S&P index



Source: FT Data

In Germany's chemical giants: Hoechst's drugs business is as big as Merck's - its market capitalisation is a mere fifth.

### European TV

Mr Rupert Murdoch's drive into continental European pay-television is back on track. Relations with his new partners, Germany's Bertelsmann and France's Canal Plus, have improved following his apology for the original statement on Wednesday from his BSkyB satellite group. In that, BSkyB jumped the gun by saying it was acquiring a 25 per cent stake in Premiere, Germany's leading pay-TV channel, from Bertelsmann and Canal Plus.

Mr Murdoch has smoothed things over with the admission, in a second statement, that BSkyB needs the approval of all Premiere shareholders - including Germany's Kirch Gruppe.

Premiere is an important element of the Murdoch consortium's plans to launch multi-channel German pay-TV because of its existing 1.1m customers and rights to German football coverage. Gaining Kirch's approval may not be easy, given its plans to establish a rival multi-channel service.

Still, Kirch's veto may not be absolute. BSkyB may be able to acquire an indirect stake in Premiere, without Kirch's approval. Even if it cannot, Murdoch's consortium may still be able to include Premiere in its multi-channel package. The partners are hoping such threats will bring Kirch to the negotiating table.

The partners may also try to tempt Kirch with the promise of a stake in their new consortium. Forming a monopoly instead of competing against each other would clearly be better for profits all round. Whether it would pass the European Commission's scrutiny is another matter.

The big loser in Murdoch's pact is CLT, the Luxembourg broadcaster. Its high-stakes game of negotiating with Murdoch has backfired and it is now left without credible partners to launch its own pay-TV service in Germany. No wonder it accused Havas - the French media group which owns a stake in CLT but has now joined the Murdoch camp - of betrayal.

The new alliance will not launch services in the UK, as that is being left to BSkyB, nor France and Spain, where Canal Plus will have a free run. After Germany, the alliance's next target is likely to be Italy. Mr Silvio Berlusconi, the Italian politician and media magnate, should watch out.

Lex comment on Wessex Water, Page 26

## Hamas funds

Continued from Page 1

Last August of Mr Mousa Abu Marzouk, the leader of Hamas, on suspicion of terrorism.

Mr Yossi Beilin, a senior Israeli minister, said Israel hoped recent events would encourage Britain and other European countries to trace Hamas's financial network. Israeli military intelligence listed several organisations in Britain which they claimed were raising funds for Hamas.

Mr Michael Howard, the UK home secretary, yesterday denied the allegations and said the government was determined Britain should not be used as a base for promoting terrorism abroad. "In the case of Hamas, the police and the security service have seen no proof to support allegations that funds raised in the UK are used directly in support of terrorist acts anywhere," he said.

Shell oil find

Continued from Page 1

to replace its annual production with new discoveries.

Its exploration division has been drawn to Nigeria because the geology of the deep water areas is similar to that of the US Gulf of Mexico, where a series of discoveries have been made by Shell recently.

Banga One is the third well drilled in the new deep water blocks since international oil groups signed production-sharing contracts with the Nigerian government in 1993.

The blocks are operated by Snepco, a different Shell subsidiary to the operator which is already producing nearly 1m barrels of oil a day, about half of Nigeria's output.

## Russian party chief shows charming face of communism

By John Thornhill in Moscow

Mr Gennady Zyuganov, Russia's Communist party leader and presidential candidate, has launched a charm offensive.

He likes team sports, has created a dish called Zyuganov potatoes (apparently fried), and is a habitual buyer of white roses for his wife.

In an attempt to present a more rounded face of communism, Mr Zyuganov broke with tradition by talking about his personal life and his conviction that all humans have the redeeming qualities of "faith, hope and charity", in an interview published yesterday in the *Trud* (Labour) newspaper.

Mr Zyuganov, who is leading the opinion polls, said it was senseless to pursue divisive politics and revive talk of reds and whites - apart from flowers - in Russia. Only if the country were united could it save itself.

"The name of our party should not frighten anybody," Mr Zyuganov said. "Our party differs greatly from the Communist Party of the Soviet Union. We recognise different forms of property, pluralism of views and freedom of religion."

"If you take the precepts of Jesus Christ and the moral code of the builders of communism, then you will find there is much in common," said the mild-mannered Communist leader, who this week refused to condemn the repression of the 1930s on the anniversary of Stalin's death.

Mr Zyuganov impressed foreign

audiences at the Moscow branch of the American Chamber of Commerce and at the World Economic Forum in Davos this year. And his party has also launched a charm offensive against Russia's new capitalist class.

But one senior Russian banker, who recently met the Communists, remained unperturbed by their blandishments and suspicious about their economic plans.

"The Communist party has not changed although some within the party might have done. I cannot understand why some people are so sure the Communist party does not threaten their business," he said. "Oil will still be pumped. Steel will still be produced but all the rules of the game will change."

RIA Novosti, an official news agency, hinted the Communists' meetings with leading bankers might conceal darker motives. Citing a "confidential source", the news agency reported that Communists had been talking to bankers, who are former members of the Communist Party of the Soviet Union, about renationalising certain industries.

A secret agreement had been discussed to assert state control over some commercial banks and transport enterprises, the news agency reported.

Some bankers fear a Zyuganov victory would paralyse business and stock market activity until investors saw which direction the new administration would take.

One bank chief joked recently that their 1996 financial year would end in June.

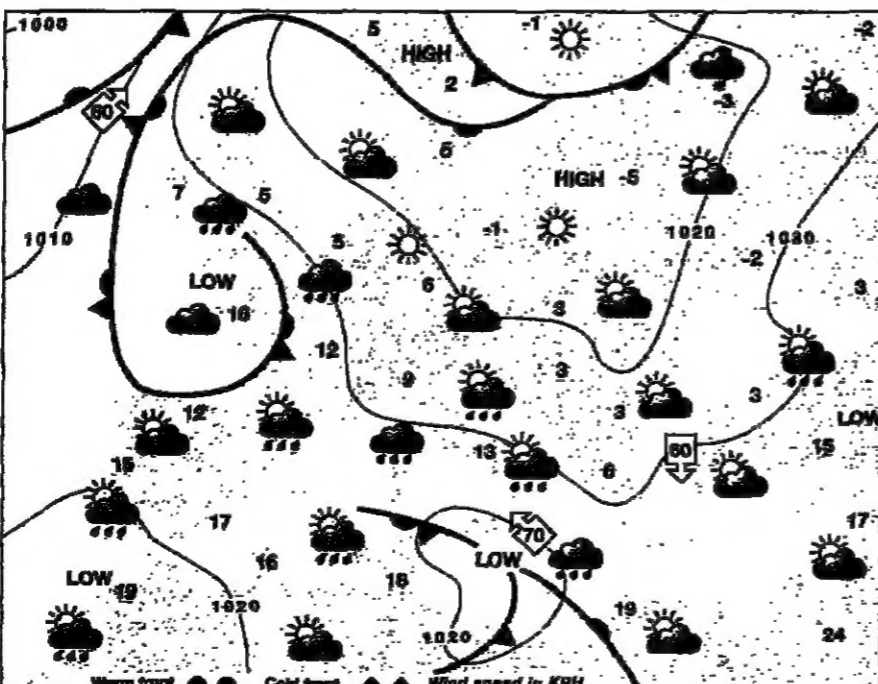
### FT WEATHER GUIDE

#### Europe today

An area with cloud and periods of rain will move from the British Isles and western France towards the Atlantic. Scotland and northern England will become clearer. The Benelux and Germany will have abundant sun but strong easterly winds will make it very cold and dry. High pressure over Scandinavia and the Baltic states will keep northern and eastern Europe dry. South-eastern Europe will be chilly. Along the Black Sea coast of Romania, Bulgaria and Turkey, strong north to north-easterly winds will bring rain or snow showers. Greece and Cyprus will stay dry but Italy, Malta, the south coast of France and southern Portugal will have numerous showers.

#### Five-day forecast

High pressure over Scandinavia will move a cold north to north-easterly air flow from Russia to eastern and south-eastern Europe. Low pressure over the Atlantic will influence Iceland, the British Isles and the Iberian peninsula with periods of rain and strong winds. The mainland of western and central Europe will remain cold, dry and sunny with strong south-easterly to easterly winds. The Mediterranean will stay unsettled with occasional rain or even some thunder showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

#### TODAY'S TEMPERATURES

Maximum	Minimum	Weather	Temperature	Maximum	Minimum	Weather	Temperature	Maximum	Minimum	Weather	Temperature
Abu Dhabi	32	cloudy	32	Caracas	26	fair	26	Madrid	17	fair	17
Accra	28	fair	28	Cardiff	8	rain	8	Manila	24	fair	24
Algiers	16	fair	16	Cebu	26	fair	26	Mexico City	24	fair	24
Amsterdam	10	cloudy	10	Chicago	2	cloudy	2	Moscow	1	cloudy	1
Athens	10	fair	10	Cologne	7	fair	7	Mumbai	28	fair	28
Bahia	28	fair	28	Dallas	25	fair	25	Nairobi	22	fair	22
Bangkok	36	fair	36	Dubai	27	fair	27	San Francisco	14	fair	14
Bombay	30	fair	30	Dublin	7	fair	7	Singapore	32	fair	32
Buenos Aires	13	fair	13	Edinburgh	8	fair	8	Stockholm	1	fair	1
Calcutta	30	fair	30	Frankfurt	10	fair	10	Sydney	22	fair	22
Cairo	22	fair	22	Hamburg	10	fair	10	Taipei	17	fair	17
Cape Town	13	fair	13	Helsinki	11	fair	11	Tokyo	14	fair	14
				Hong Kong	28	fair	28	Toronto	1	fair	1
				Kuala Lumpur	28	fair	28	Vancouver	12	fair	12
				London	10	fair	10	Wellington	17	fair	17
				Luxembourg	11	fair	11	Winnipeg	1	fair	1
				Lyon	11	fair	11	Zurich	1	fair	1
				Madrid	17	fair	17				
				Manila	24	fair	24				
				Mexico City	24	fair	24				
				Moscow	1	cloudy	1				
				Mumbai	28	fair	28				
				Nairobi	22	fair	22				
				San Francisco	14	fair	14				
				Singapore	32	fair	32				
				Stockholm	1	fair	1				
				Sydney	22	fair	22				
				Taipei	17	fair	17				
				Tokyo	14	fair	14				
				Toronto	1	fair	1				
				Vancouver	12	fair	12				
				Wellington	17	fair	17				
				Winnipeg	1	fair	1				
				Zurich	1	fair	1				

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